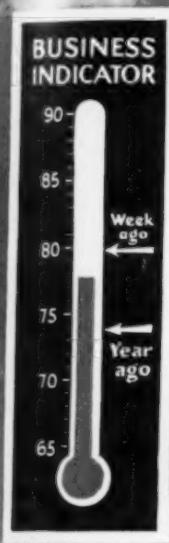


JUN 12
1937

JUN 14

BUSINESS WEEK



Ewing Galloway

BUMPER CROP — They're cutting winter wheat on the plains, with best yields since 1931 adding millions to farm incomes.

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Facts about REPUBLIC

Is assured of an ample supply of raw materials for many years to come, through the ownership of numerous active iron ore properties in Michigan, Minnesota and Alabama—and through the operation of coal mines located in the most productive sections of Kentucky, West Virginia, Pennsylvania and Alabama.

Resources for an Age of Steel

When Republic Steel acquired the Corrigan-McKinney Company of Cleveland, it substantially increased its reserves of Northern ores and moved into a strategic position in the rich Great Lakes territory. • Republic leads in the production of alloy steels—and in capacity for the production of stainless steel. It is an important producer of pipe, carbon bars, sheets and strips. • Republic's new type of cold rolled tin plate mill is now in operation and a new continuous wide strip mill will shortly be completed, for rolling wider sizes than are now obtainable. • Republic holds basic patents on the Electric Weld

pipe process. An entirely new type of electro galvanizing unit for finishing farm fence and wire products has been installed in Republic's new mill in Chicago. All plants have been modernized. • With such equipment, and with demand steadily increasing, adequate ore supplies are necessary—and are now assured for many years to come. • Since its inception, Republic has been alert to the rapidly changing trends in industry—and, with an eye to the future, has followed a rigid program of continuous improvement and constructive contribution to better products of steel.

Republic Steel Corp., Cleveland, Ohio.



REPUBLIC STEEL

REPUBLIC STEEL SUBSIDIARIES: TRUSCON STEEL COMPANY • UNION DRAWN STEEL COMPANY • STEEL AND TUBES, INC.
THE BERGER MANUFACTURING COMPANY • THE NILES STEEL PRODUCTS COMPANY

When writing Republic Steel Corporation for further information, please address Department BW

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R. R. Putt
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each issue
at the post
March 2, 1
McGraw

New Business

THE new Grab-it-and-go department of Norton & Norton, "Electric Wholesale Mart," Los Angeles, is speeding up order-filling, pleasing customers, and providing profitable publicity. Always assured of parking space and a minimum of red tape, customers drive their trucks right in from the boulevard to grab orders big and little and go.

NEXT only in hardness to diamonds are the cemented or sintered carbides, tungsten and tantalum. Their advent as tips for cutting tools a decade ago speeded up machine shop practice more than any old-timer could have dreamed. Nor would he have dreamed that workers in the new sintered carbide factory of Firth-Sterling Steel Co., McKeesport, Pa., would do their stints in washed air and white uniforms. But when tungsten and carbon and cobalt are powdered and mixed and pressed and sintered together, the inclusion of any foreign matter would play hob with a finished product worth from \$200 to \$400 per lb.

GONE are the days when interior decorating consisted of a touch of mauve here and a soupçon of old rose there. As American Institute of Decorators foregather for its sixth annual convention, Waldorf-Astoria, New York, June 15-18, 550 members will attest and demonstrate the soundness of the Institute's professional definition: "A decorator is one who by training and experience is qualified to plan, design, and execute interiors and their furnishings and to supervise the various arts and crafts essential to their completion."

SEVEN months after Louisiana's sovereign electorate approved Gov. Leche's three point industrialization plan to attract new industries to Sen. Long's former stamping ground, news emerges that eleven plants with a future value of more than \$11,000,000 have been duly contracted. DuPont and Ethyl Gas and Solvay Process and Swift & Co. and Chalmette Petroleum have all succumbed to the lure of cordial industrial relations and a ten-year guarantee of immunity from property taxes.

PUBLICATION notes: (1) American Management Association, 330 W. 42nd St., New York, packages the more im-

BUSINESS WEEK (with which is combined The Magazine of Business) June 12, 1937, No. 406. Published weekly by McGraw-Hill Publishing Company, Inc., Publication office, 99-129 North Broadway, Albany, N. Y. Editorial and executive offices, 330 W. 42nd St., New York, N. Y. James H. McGraw, Honorary Chairman; Glenn Griswold, Vice-President and Editor; R. R. Putnam, Treasurer; D. C. McGraw, Secretary. \$5.00 per year in U. S. A.; postpaid elsewhere and Canada; \$7.50 per year in all other foreign countries; 25¢ per copy. Entered as second-class matter December 4, 1936 at the post office at Albany, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1937 by McGraw-Hill Publishing Company, Inc.

The man coming out can always tell you more than the man going in...



After you've entered a sideshow tent, reality quiets the stirred imagination. The wonders described outside soar only half so high—seem not nearly so strange.

On the outside of today's big tent of tire manufacturing, the truck tire user is confused with a mass of details on design, construction and methods—particular features that he can neither see nor feel, but must imagine their presence in a tire.

To truck operators General says only this. The cost of a tire can never be determined until you know how far it has gone and how many tons or packages it has carried. You must divide purchase price by mileage and payload.

That's why General Truck Tires have always been built stronger—to deliver greater mileage and haul more payload. It costs more to build a General Tire because of the way it is built. Thousands of truck operators know it costs less to use Generals because of the way they perform—the man coming out can always tell you more than the man going in.

Your local General Tire dealer is ready to offer you the benefit of his factory training and practical truck tire knowledge. He may be able to reduce your tire costs materially.

THE GENERAL TIRE & RUBBER COMPANY • AKRON, O.

In Canada—The General Tire and Rubber Company of Canada, Limited, Toronto, Ontario

GENERAL TRUCK TIRES



(Above) Diamond Roller Chain Timing and Auxiliary Drives on Diesel Engine.

(Below) Double-strand Diamond Roller Chain drive—5 H. P., 1500 R. P. M. Motor.

mechanical power—as exemplified by today's high efficiency Diamond Roller Chain. . . Made of rugged steel into a series of chained together precision-made roller bearings, Diamond not only transmits power from shaft to shaft without loss or slip—but provides the longer interruptionless service required in today's high speed production plants. . . Some of the over 300,000 Diamond Roller Chain applications must be in your plant—make a check on their performance. You'll benefit by installing more. DIAMOND CHAIN & MFG. CO., 439 Kentucky Ave., Indianapolis, Ind. Offices and Distributors in Principal Cities.

◆ DIAMOND ◆
ROLLER CHAIN

portant papers presented at its Seventh Annual Packaging, Packing and Shipping Conference in five pamphlets, "Packaging Design," "Management's Packaging Problems," "Packaging Material Developments," "Package Production," and "Shipping Containers and Closures." (2) Boston University, College of Business Administration, completes its 120-page "New England Community Statistical Abstracts." Prepared at the request of New England Council's industrial development committee, this study covers the availability of 110 N.E. communities as industrial locations. (3) Engineering Foundation, 29 W. 39th St., New York, completes its two-volume 1200-page monograph, "The Alloys of Iron and Carbon." Previewers call it a synthesis of the world's knowledge of plain irons and steels. (4) Automobile Trade Journal, Chestnut & 56th Sts., Philadelphia, adds to the world's knowledge of Americanese, "Slang on Wheels, Volume II."

ALONG about fall, and possibly not until winter, Frigidaire Division of General Motors will produce and market a complete line of electric ranges and washing machines. The new venture will give its dealers and distributors a year-around business and will also tend to stabilize employment.

AROUSED by the disinclination of Rural Electrification Administration to do something about financing individual sales of wind-electric equipment, five manufacturers of equipment for turning out wind-juice are uniting to form Wind-Electric Manufacturers Association. Pres. G. A. Vaughn tells *Radio Retailing* that they may present their case through association advertising.

ADVERTISING LABORATORY, 250 Park Ave., New York, analyzes 33 full-page advertisements in a typical recent issue of a prominent magazine and finds that they average only 61% in sales effectiveness. If one poor examinee's advertising actually rates its 32% rating, he is tossing away 68¢ of each dollar he spends, plus lost revenue from lost sales.

VACATION NOTES: (1) American Airlines, Inc., is leasing the 10-acre Reinberg estate on the west shore of Lake Hopatcong, N. J., as a summer resort for its employees. (2) Members of Italian Health & Recreation Center, A.C.W.A., Inc., comprising Italian locals of the Amalgamated Clothing Workers of America, is buying outright the 700-acre Mount Meenahga estate in the Shawangunk mountains near Ellenville, Ulster County, N. Y., as a retreat and vacation resort for themselves. Lucky vacationers, paddling lake or mounting mountain, will have little time to reflect on who gave whom their outings.

Washington Bulletin

WASHINGTON (Business Week Bureau)—Compulsory arbitration of labor disputes by the government, especially in cases where milk, water, food, or power supplies are cut, thus inflicting heavier punishment on communities than on either side in the labor battle, looms larger on the horizon. And the prospect causes concern to New Dealers and C.I.O. alike.

Governor Murphy's order compelling prompt restoration of power in Michigan by striking utility company employees is seen as an important milestone in the path to final solution of the labor question.

Eventually—But Not Now

How soon will government control come? Well-informed Administration insiders who privately concede the necessity for some regulation are still thinking only in vague terms like "eventually" or "in a year or two," but apparently they mean not until after the union cause has triumphed widely and until virtually all industries are closed shops.

Not to Lewis' Liking

John L. Lewis does not relish this prospect. Hence his haste in rushing lieutenants to Michigan to remove the immediate cause of trouble—in short to prevent any fanning of what is still a minority sentiment for compulsory arbitration.

Old Problem, New Perception

The problem is as old as organized labor. It flamed up during the "general strike" period, both here and in Britain. It has been acute many times in big cities whose food supplies and essential services were threatened. But the thought of the government protecting the public—not just against such long-term effects as price advances or unfair discriminations obtained for certain groups of labor, but against the immediate consequences of a strike—is new in the present New Deal era. Every indication is that it will grow, though most signs of it will be concealed for political reasons until some future crisis produces a whirlwind public reaction which cannot be ignored.

Variation on the Theme

Tax evasion discussion is mostly hokum but it is perfectly sound political logic just the same. Roosevelt has convinced the country long since that he is for the downtrodden, against the rich. This is just another move in the same strategy. Although closing the loopholes will not provide much additional revenue, it will serve to annoy quite seriously some of the

ALL SET FOR SUMMER

Congress will not adjourn until October, barring unforeseen developments. Of course, Roosevelt might announce another breathing spell to let the country digest what it has already swallowed before taking more medicine, but this is highly unlikely. Even if it were not for Roosevelt's reluctance to bow to the inevitable on the Supreme Court fight and let that issue go over until next year, there is plenty of food for senatorial oratory.

gentry who have been annoying Roosevelt and the New Deal. Their names will figure in newspaper headlines with the plain inference that they are little better than pickpockets. J. P. Morgan's comments may have been sound criticism, but they were sweet music to New Dealers' ears, confirming everything they have said about the rich taking advantage of the law's technicalities.

Fireworks and Forensics

Plugging tax loopholes is going to take some time, not because of the difficulties involved, tough as they are, but principally because so many senators have ideas about a number of other little changes in the tax laws that they think necessary. While Sec. Morgenthau has the votes to beat any proposals that would reduce revenue and while the President can muster enough to stop any move toward general revision, such as Sen. La Follette's plan to lower exemptions, only one senator can speak at a time under the Senate rules. Which means a lot of discussion before the final rollcall.

Waiting Game

Congress hopes to wear the President down on reorganization of government bureaus and departments. It doesn't want to pass such legislation, whether divided into homeopathic doses or packed in one big sugar-coated capsule. But neither does it want to vote such legislation down. It just wants to wait. Roosevelt is pretty good at waiting, but senators are even better at talking. Also there is the pleasant device of adjourning for British weekends, with a tough

job to get a quorum for the next day or two after each respite.

Torch Bearer

Stagecraft of the Administration is evident in the opening sessions of the joint committee on the Black-Connery bill for minimum wages and maximum hours. Back in the NRA era Robert Johnson, president of Johnson & Johnson, New Brunswick, N. J., manufacturers of sick room supplies, protested loudly that shorter hours and higher wages marked the shortest road to prosperity. At hearings last week Mr. Johnson enthusiastically carried the torch for a six-hour day.

With Plan and Purpose

Mr. Johnson cited the success of his own company in paying better-than-average for a six-hour day. He endorsed the Black-Connery bill and suggested three code levels for pay and work periods based on the labor percentage in manufacturing costs. New Dealers cheered, but textile people were unimpressed. Mr. Johnson represents no important section of thought in his industry which had a hard enough time promoting the eight-hour day. Besides, his company is in a unique position since it owns its own cotton mills. Skeptics say, "Maybe he's just trying to get competition out on a limb?"

Question Shipping Program

The President's bold move to "buy" a merchant marine has aroused mixed feelings in Washington. In the main, it is regarded as concrete evidence that it is impossible for Roosevelt to stick to economy. Skeptics, familiar with the history of merchant marine as a political football since war days, are not optimistic that the big splurge will accomplish its purpose. They anticipate that the program will get a big send-off with private operators participating in the construction of a comparatively small number of ships and then bog down, giving the public ownership crowd the chance that it is waiting for to demand that the government go in the business for itself. And back of it all is the fact that a merchant marine is essential to the navy.

No Housing Solution

Housing legislation conferences in progress since March (BW—Mar 27, p18) have failed to produce agreement, and this week, despite talk of compromise, prospects were dimmed by the President's objection not only to the cost but to the principle of the Wagner bill. Instead of annual subsidies spread over a 6-year cycle, which he admits would produce more housing but obligate the government for an excessively



Liberty Building, Baltimore, Md.

FIFTH YEAR HEATING SAVINGS TOP FIRST

**Webster Moderator System Gives
Permanently Improved Heating
in Baltimore Building**

REDUCES STEAM CONSUMPTION

Baltimore, Md.—In Baltimore's five-story Liberty Building, the long-time effectiveness of a Webster Heating Modernization Program is revealed in a comparison of heating steam consumption during the first and fifth years after the new system was installed.

Reviewing heating results for the 1930-31 season, the first complete season with the Webster Moderator System, a group of impartial engineers reported that the Liberty Building had the remarkably low unit steam consumption of only .0302 lb. per square foot of equivalent direct radiation, per degree day.

Five years later, during the 1935-36 heating season, this low unit steam consumption was reduced to .0244 lb. per square foot per degree day.

The heating shortcomings of the original gravity-type system were eliminated and better heat provided when the installation was modernized to operate as a vacuum system under Webster Moderator Control.

The Webster Heating Modernization was made in 1929-30 when the building was enlarged and remodeled. It is significant that while the amount of installed direct radiation was increased 72 per cent by this building enlargement, the cost of heating increased only 6 per cent.

With the Webster Moderator System, all radiators heat evenly and rapidly. There is a total of 8,124 square feet of installed direct radiation.

For many years, the Liberty Building has used district steam for heating. In combination with the Webster Moderator System, district steam service offers dependable, economical heating service.

These before-and-after facts point the way to maximum comfort and economy in heating new buildings as well as in modernization of existing installations. Consult your architect, engineer or heating contractor. Or address **WARREN WEBSTER & CO., Camden, N. J.** Pioneers of the Vacuum System of Steam Heating Representatives in 60 principal U.S. Cities—Est. 1888

long period, Roosevelt favors an outright grant of 40% to 50% of construction costs with the remainder furnished by private capital on some kind of an insured mortgage basis. The President is anxious to get legislation through this session but equally frank in stating that no adequate solution for the problem has been proposed yet.

Overhauling Anti-Trust Laws

Anti-monopoly legislation will stand on its own feet. Concerning amendment of the wage-hour bill to include this feature, the President concedes that it could be done but he is suspicious of any efforts which might complicate passage of the bill. Launching of the attack on this flank of big business has been accelerated by the legal tangle which so quickly tied up the anti-trust suit against the Aluminum Company. Whether the first step will be announced with a lot of ballyhoo and the appointment of an expert committee to study revision of the anti-trust laws, as urged by Attorney-General Cummings, or taken secretly as in the case of the wage-hour bill, new legislation will be drafted this year for the next session of Congress.

Anthracite Control on Way

Gov. Earle's recent quick-step out of a hot spot on anthracite, in announcing that by next year (his last as governor) plans can be worked out for government operation of the mines, doesn't blind Washington to the practical certainty of a federal law for anthracite similar to the bituminous coal control act. Anthracite's problem is marketing, not production.

Controls for Gas and Oil

Extension of the Connally hot-oil law, with prospects favoring the two-year limit voted by House rather than an indefinite term, will be followed by the Lea bill for regulation of interstate transportation and sale of natural gas by the Federal Power Commission. This bill now waiting on a rule to bring it to a vote in the House also has a good chance in the Senate.

Seven TVA's Will Wait

Although legislation effectuating the President's regional conservation ideas is on the "desirable" list, its passage this year is doubtful. Noisy opposition, of course, will come from the utility industry, determined to fight to the death the seven-fold multiplication of TVA. Far more effective, however, will be the quiet resistance of the old-line federal agencies now in the conservation field, which are just as unwilling as the utilities to lose a fruitful field for future expansion.

Go Ahead on Ohio

Flood protection of the Ohio Valley will not be tied up by difficulties with the regional planning bill. Heartened by Presidential assurance that work may proceed on obviously-needed projects, the House Flood Control Committee will rush through authorizations permitting a large part of 1938's \$30,000,000 budget allowance for flood control to be spent on protection of cities hard hit last January. The "small" total should not be taken too seriously, as it will be supplemented generously from relief funds. And after the economy wave subsides, testimony indicates, the ante will be raised.

No Individual Mortgages

Refusal of the Federal Housing Administration to endorse the Moore bill, which would set up individual investors as approved mortgagees under the National Housing Act, does not indicate any lack of desire to open up new sources of mortgage money. FHA feels, however, that the insured mortgage system is not adaptable directly to individual investors who already have the option of placing their funds with FHA-approved institutions. The Senate committee is expected to shelve the Moore bill.

Political Prerequisites

Trade sentiment favors appointment of a "practical man" to the Republican vacancy on the Tariff Commission which will be created by the imminent retirement of Robert Lincoln O'Brien, but Prof. Abraham M. Fox, present director of research and chairman of the Commission's planning and reviewing committee has the qualifications of a strong candidate. He voted for Roosevelt first, last, and always, and ardently supports the reciprocal tariff program.

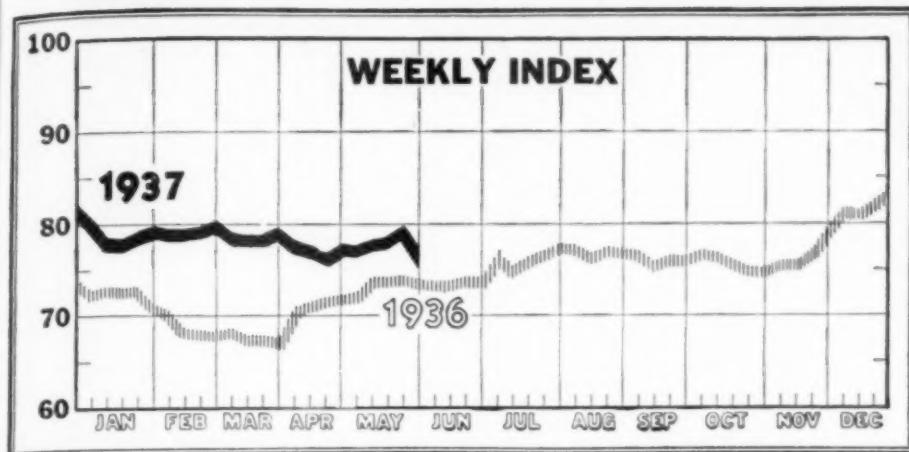
Prelude to Gold Agreement?

Washington is cheered by the development at the Imperial Conference in London of much less opposition to an Anglo-American trade agreement than was expected. The Administration is encouraged to believe that other dominions are ready to follow Canada's lead in breaking down political barriers to the revival of world trade. Trade agreements may make only a piecemeal approach to the problem, but it is recognized that any solution will have to be gradual. Higher prices will speed the process greatly and an increase in the volume of international trade will bring about better distribution of gold. With such prospects Washington observers are generally inclined to look for some joint agreement as a prelude to permanent stabilization of gold at the present price.

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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	77.4
Preceding Week	79.9
Month Ago	77.7
Year Ago	73.9
Average 1932-36	64.1

PRODUCTION

*Steel Ingot Operation (% of capacity).	76.2	77.4	91.2	69.5	46.0
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)	\$10,071	\$9,844	\$9,916	\$8,491	\$5,275
Engineering Construction Awards (<i>Engineering News-Record</i> , 4-wk. daily av.)	\$8,320	\$8,799	\$8,614	\$6,547	\$4,772
*Bituminous Coal (daily average, 1,000 tons).	1,253	1,223	1,126	1,135	1,026
*Electric Power (million kw.-hr.).	2,131	2,207	2,176	1,945	1,617

TRADE

Total Carloadings (daily average, 1,000 cars).....	132	130	130	118	100
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	83	83	83	74	66
*Check Payments (outside N. Y. City, millions).....	\$4,255	\$4,450	\$4,828	\$4,153	\$3,061
*Money in Circulation (Wednesday series, millions).....	\$6,487	\$6,399	\$6,426	\$5,953	\$5,587

PRICES (Average for the week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.27	\$1.30	\$1.36	\$1.91	\$1.80
Cotton (middling, New York, lb.).....	12.93¢	13.26¢	13.46¢	11.79¢	10.00¢
Iron and Steel (Steel, composite, ton).....	\$39.86	\$39.89	\$40.14	\$32.81	\$31.15
Copper (electrolytic, Connecticut Valley basis, lb.).....	14.000¢	14.000¢	14.000¢	9.500¢	8.069¢
Moody's Spot Commodity Price Index (Dec. 31, 1931 = 100).....	201.3	205.3	207.0	163.5	131.8

FINANCE

Bond Yields (Standard Statistics, average 45 bonds).....	4.37%	4.39%	4.40%	4.33%	5.28%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.15%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	.75%	1.48%
Business Failures (Dun and Bradstreet, number).....	146	189	177	188	311

BANKING (Millions of dollars)

Total Federal Reserve Credit Outstanding (Wednesday series).....	2,573	2,557	2,577	2,489	2,353
Excess Reserves, all member banks (Wednesday series).....	860	940	800	2,844	1,507
Total Loans and Investments, reporting member banks.....	22,158	22,182	22,240	22,148	19,289
Commercial and Agricultural Loans, reporting member banks.....	4,260	4,234	5	5	5
Security Loans, reporting member banks.....	2,053	2,039	5	5	5
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.....	9,443	9,467	9,459	10,214	10,214
Other Securities Held, reporting member banks.....	3,144	3,186	3,208	3,308	3,308

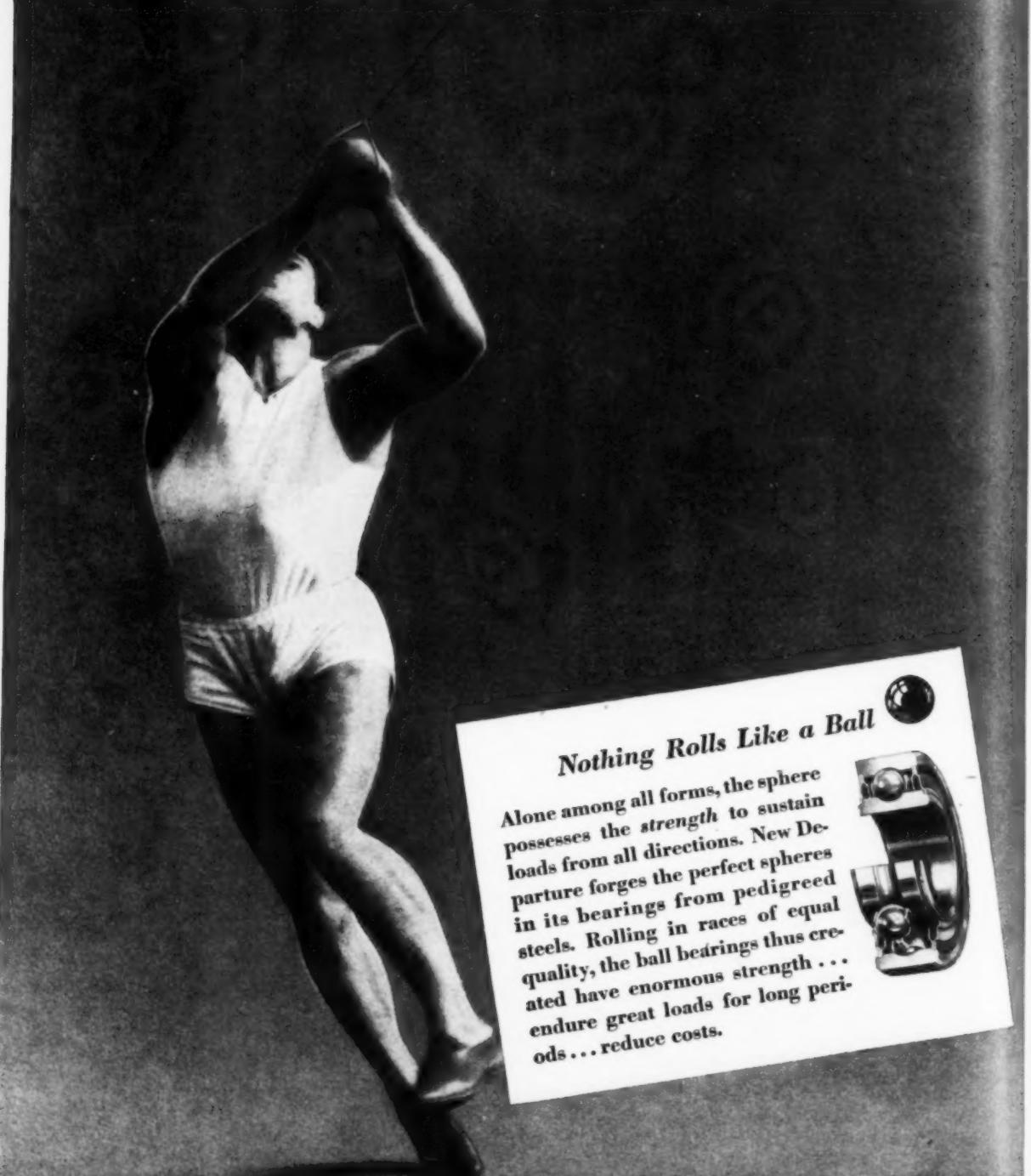
*Factor in *Business Week* Index. •Preliminary. Week Ended June 5. ♦Revised. §New Series. \$Not Available.

These monthly averages are merely simple averages of each month's weekly figures of *Business Week's* index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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From their STRENGTH comes endurance



Nothing Rolls Like a Ball

Alone among all forms, the sphere possesses the strength to sustain loads from all directions. New Departure forges the perfect spheres in its bearings from pedigreed steels. Rolling in races of equal quality, the ball bearings thus created have enormous strength... endure great loads for long periods... reduce costs.



NEW DEPARTURE Ball Bearings

New Departure • Division General Motors Corporation • Bristol, Connecticut

ALSO MAKERS OF THE LARGEST SELLING COASTER BRAKE FOR BICYCLES

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The Business Outlook

THAT 14-point drop in the national steel operating rate caused by strikes in three leading independent mills was more than the *Business Week* Index could absorb without sagging. Hence the 2.5 point drop for the week ending June 5. This week, steel districts outside the Youngstown-Cleveland-Chicago area have stepped up their production schedules, but the absence of the Mahoning Valley producers continues to hold the rate for the industry near the 76% of capacity line. Business uncertainty was increased by a drooping commodity market this week, by another scare about the gold price situation despite Presidential assurance that the United States planned no change in the \$35 an ounce buying rate, and by the conviction of the utility industry that the government intends to set up a nation-wide power industry in competition with private producers through setting up seven regional authorities similar to the Tennessee Valley Authority.

Textile, Steel, Autos

But despite the labor and legislative disturbances that obscure the near-term outlook, reports coming to light each week on recent business trends are, on the whole, favorable. Cotton textile mills have been operating at close to record levels despite the fact that incoming business over the past few weeks has been dwindling. The same is true of steel which last month operated at almost 89% of capacity, although the strike at independent mills affected the last five days of the month. Motor assemblies last month appear to have topped the 600,000 mark, and though sales in recent weeks are not making any wide margin over a year ago, they compare favorably with some of the best months on record in the history of the industry.

BIGGEST EXPORTS SINCE '30

Our export trade this year has been expanding at a rate higher than anticipated. April exports were the largest since the third quarter of 1930, on a seasonally adjusted basis. Machinery, vehicles, non-metallic mineral products, and metals and manufactures were largely responsible. In the first four months, exports of metals and manufactures were 90% ahead of the same period in 1936. Steel exports, excluding scrap, were the highest since 1921, while scrap exports reached a new peak.

Radio Sales Record

Radio manufacturers whose new models have been appearing recently are set to establish a new all-time high

HEAVY DIVIDENDS

The largest dividends since last November, when the undistributed earnings tax forced a record disbursement of over \$883,000,000, were declared last month, when \$524,198,349 was reported by 993 companies. Copper, steel, and oil companies contributed heavily to this result.

record in sales this year. Prices are likely to be somewhat higher than those prevailing last year due to increases of materials and labor costs. In view of the current concern about instalment selling it is interesting to note that a recent survey disclosed that cash purchases of radio receivers made so far this year have been in greater volume than in any year since 1929.

Paint and Varnish Gain

Paint and varnish manufacturers have enjoyed an exceptionally brisk spring season. The first four months' sales topped those of the same period in 1936 by nearly 30%. May sales ordinarily represent the peak of the year, after which the normal seasonal trend is downward to the end of the year.

Outlook in Shoes

Though shoe production in April remained at a high level compared with a year ago, there was an unexpectedly sharp decline from the March high point when Easter merchandise was in preparation. The 20% margin over the first four months of 1936 will probably not be pared much by the end of the first half. By next month, the industry should be stepping up operations in anticipation of its needs for fall.

Burner and Stoker Sales

Two other industries whose third quarter regularly sees a steadily rising volume of business are the oil burner

and mechanical stoker producers. First four months new orders for burners ran 41% ahead of the same months of 1936. In the same period, stoker manufacturers reported sales running 49% ahead of 1936.

Good Retail News

Indicative of the excessive pessimism that prevailed last month, and which evidence now coming to light proved largely unwarranted, is the retail sales situation. Complaints of consumer nibbling at merchandise were frequent last month, but the first returns covering chain and mail order houses indicate that at least this branch of the retail division maintained a creditable margin over a year ago. Preliminary reports on the results of Cotton Week, which was observed in the first week of June, also suggest that the public is not as reluctant to buy as some merchants believed. Charge account collections have been slightly better than last year, some 400 department stores report.

New Ship Program

Shipyards and steel manufacturers are watching the moves being made to rebuild the American merchant marine. The new Maritime Commission chairman, Mr. Kennedy, has been publicizing the belief that in five years, 85% of the nation's shipping afloat today will be obsolete. This week, the President got behind proposals that something should be done about the situation by asking Congress for a \$10,000,000 revolving fund and a \$150,000,000 appropriation to begin construction of 95 vessels, including 10 fast tankers.

Chains in Pennsylvania

Unless Pennsylvania's new tax on chain stores, which amounts to \$500 on each store above 500 operated by a chain, is upset by the courts, the state may lose a third of its chain units, according to threats being voiced by various chain operators. Others see the wave of closings which have already begun as part of a larger scheme of revamping chain set-ups to eliminate unprofitable units in view of the increasing importance of supermarkets.

Big Wheat Movement

The prospects of a good crop of wheat this year may have been a depressing influence on prices this week, but railroads who began shipping the new winter wheat in the Southwest this week regarded the freight prospects cheerfully. Special arrangements have had to be made with Eastern roads to insure an adequate car supply in the West over the harvest season in the next few weeks.



WHEN A LADY TRAVELS

THERE is a new and insistent fastidiousness on the part of women who travel today. Their natural desire for attractive appointments has become a factor to be reckoned with. Ladies will no longer accept outmoded facilities. They ask for spacious and lovely accommodations and they know they will find them on Budd-built trains.

In descriptions of these trains, we have given chief emphasis to new methods of design and construction. We have pointed out that the old fallacy of massiveness-for-strength is being discarded for the new principle of increased efficiency through light-weight-plus-strength.

This principle is of interest not only to railroad men but to the

traveling public. It makes possible high speed with safety and comfort.

The extraordinary popularity of Budd-built trains of stainless steel has grown with the knowledge that this impressive new equipment contains everything today's traveler has a right to demand.

Pages could be written about the new beauty and comfort—the added spaciousness of these trains. Travelers have ceased being surprised at air-conditioned cars that defy outside dust and heat. They accept the beauty and charm of superbly appointed lounges and the pleasant

excitement of cocktail bars. But one advance in particular has won the grateful approval of discriminating people. It is the fact that rest-room facilities are planned and executed as they might be for a woman's club on Park Avenue. The most fastidious lady may feel perfectly at home on a Budd-built train!

Originator of ALL STEEL bodies for automobiles, now used almost universally, the Edw. G. Budd Manufacturing Company has pioneered modern methods in the design and fabrication of steel products.

EDW. G. BUDD MANUFACTURING COMPANY

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BUSINESS WEEK

JUNE 12, 1937

C.I.O.'s Fate Hinges on Steel Strike

Defeat would be tremendous setback, as other companies would follow Republic's policy. Union confidentially admits it can't hold men long.

THE Midwest steel strike, bubbling on the fires of labor unrest, was fully entitled to the top headlines this week. On it hung the hopes of two great bodies of American opinion—that upholding the open-shop principle and that standing behind the unionization principle. And public opinion was the stake for which each was playing.

Other labor events should not be minimized; the open avowal of union support by Mayor LaGuardia of New York, the labor holiday in Lansing, Mich., the power cutoff in the Flint area, the enlarged demands on General Motors, the organizational drive on Ford and other plants are very important. But the steel strike is tops.

Throwing out all the claims, counter-claims, and political impulses mixed up in the steel organization scrap, the essentials as seen by most business men are fairly simple. On one side stands the Committee for Industrial Organization, on the other side stands Tom Girdler representing Republic Steel and carrying the hopes of all who hope to protect the open shop. Mr. Girdler

has denied emphatically that he is acting for anyone save his own company; nevertheless the average opinion is that it is Tom Girdler vs. C.I.O.

Can't Hold Men Long

The C.I.O. at first hoped for a swift victory, with federal authorities intervening, but Gov. Davey unexpectedly stepped in. Both sides think him incapable of handling the situation, and C.I.O. hopes to get him out quickly. Then it expects federal intervention, and possibly the summoning of Girdler and Pres. Frank Purnell of Youngstown Sheet & Tube to Washington. It confidentially admits that if Republic and Sheet & Tube have decided to stand current losses and not sign under any circumstances, the union can't hold its men longer than three more weeks at the most. Apparently the companies have the upper hand, with the back-to-work movement growing rapidly.

It is not hard to guess what will happen to public sentiment if the C.I.O. is given a licking in the Midwest steel area. The industrial unionization cause

will lose a great measure of "ever-victorious" psychology which has aided the movement thus far. Lines of defense will harden against it all over the country and it must meet more companies which will take Republic Steel's policy as a guide. The unionization drive also will lose a measure of political support—mayors and governors won't be so certain in adopting a pro-labor policy.

And if the union wins, it correspondingly will gain more momentum. Public sentiment which to date has been more or less swayed toward collective action will be confirmed in its thinking that unionization is bound to sweep all lines of industry.

Elsewhere, the C.I.O. is driving ahead. The automobile union, ending a six-month temporary agreement with General Motors, was ready with new demands: sole bargaining rights, 35-hour week and 7-hour day, 75¢ minimum hourly wage for women and 85¢ for men, straight seniority after a 15-day trial period, 10% bonus for night-shift workers, equal pay for equal work, and indefinite extension of the present agreement on other points.

Meanwhile a story spread in Detroit that Henry Ford, if the C.I.O. turns the heat on, will take his loyal workers into partnership and turn over to them a big chunk of profits. All hearsay—but interesting many in Detroit.



"I SHALL NOT BE MOVED"—This is said to have been among the hymns which some of the workers in Republic Steel Corp.'s Warren, O., plant sang at church services Sunday, June 6. Protected by police, three clergymen went through

HILL & KNIGHTON

the picket lines to conduct the services. But although the workers manage to get spiritual food, there's a little trouble over the other kind. The corporation is acting to compel the Post Office Department to accept food parcels for plant delivery.



MICHIGAN TENANTS—It's a striking world. In Pontiac, Michigan, they've formed a tenants' union, with offices in the headquarters of the United Automobile Workers Local. The plan of the union calls for all members, whether satisfied or dissatisfied renters, to withhold payment of their rents while an effort is made to establish a scale of \$1 a month on each \$1,000 of assessed valuation.

Siege of Steel

Embattled companies in Mahoning Valley say signing with C.I.O. would make closed shop and checkoff inevitable, demand that government observe neutrality.

CLEVELAND (Special Correspondence)—The great steel strike in progress from Buffalo to Chicago, but centering mainly in the Mahoning Valley, is no ordinary strike heading for the familiar compromise on which both sides claim victory. Either Republic Steel and Youngstown Sheet & Tube sign a written contract with the Steel Workers Organizing Committee or they don't. This is the sole issue; wages, hours, and working conditions are not involved here.

When the strike started, the steel companies knew that they had a man-sized job trying to sell their cause to the public. Most people could not understand why the managements were willing to bargain collectively with S.W.O.C. but refused to put the agreement into writing. However, top executives believe that, in the past week, they have made notable strides in the cities where their mills are located.

Their story is much like this: They refuse to belong to the "C.C.C.", which in their language stands for "contract-closed-shop and checkoff"; the closed shop inevitably follows on the heels of a written contract; from there it is only a step to the checkoff.

Both Republic and Sheet & Tube also contend that (a) they can fulfill all obligations and always have without signing agreements; (b) it is not

customary to require parties to state in writing that they will obey the law; (c) a contract merely creates an artificial need for labor organization officials to negotiate annually a new agreement and subjects the company to the risk of public shutdowns if the two parties don't agree; (d) written terms of employment are not flexible enough to meet rapidly changing conditions, would not have taken care of the three steel wage increases in 1933 and the two since last November; (e) signed contracts with labor organizations have not resulted in industrial peace, as witness the 80-odd strikes in General Motors since it signed with the United Automobile Workers on Feb. 1. These are cited as evidence that those who sign such agreements with labor are without power to enforce them.

Responsibility Issue

Furthermore, says Sheet & Tube in a letter to employees, a signed agreement would be a one-sided instrument because the employer alone would have legal responsibility and it would be used as a vehicle for the union to coerce and intimidate employees into joining.

Published reports to the effect that the steel companies want the federal government to intervene are labeled by them as "the bunk." All they ask, they

say, is that Uncle Sam be neutral and they don't believe he is. As proof they make these points: that at Warren, O., the postmaster permitted union leaders to tell him whether parcel post packages could be delivered into Republic's plant, packages of food being rejected; that in Cleveland and Youngstown, postal authorities have refused to accept any packages for maintenance men in the Corrigan, McKinney and Sheet & Tube mills; that, at Youngstown, a postmaster who got past the pickets,



LOS ANGELES COP—He upheld the law.

was stopped by the local police as he entered the plant.

Votes to show whether Republic workers wanted to return to work have created a lot of excitement and argument. At Canton union pickets blocked such a vote at city hall. Then the Canton Chamber of Commerce sponsored a mail vote under supervision of local clergymen. Some 6,500 ballots were sent out first-class; returns brought 3,800 ballots passed as genuine; 2,500 labeled as phonies also came in, all marked against a return to work. The ballots found genuine were overwhelmingly in favor of reopening the plant. Incidentally, leaflets distributed by the union at Canton told strikers that four government agencies were fighting on their side.

At Monroe, Mich., the mayor used the city's regular election machinery to get a vote of employees of the Newton Steel Division of Republic. Returns were given as: 70% of the employees voting, 80% of the votes not in favor of the strike and 90% of them indicating that the voters wanted to work.

Republic this week reported that it was operating at better than 40%. However, shipments from its Mahoning

Valley plants still because mills had strikers and take vigorous Sheet &

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Valley plants were almost at a standstill because railroad tracks entering the mills had been blocked or torn up by strikers and railroads were hesitant to take vigorous action to move freight. Sheet & Tube is not trying to operate.

Meanwhile, the companies have been watching reactions from stockholders. They state proudly that letters from stockholders are almost unanimous in support of the managements' stand, Sheet & Tube announcing that it hasn't received a single opposition letter.



OHIO STRIKER—He resisted the law.

Union Hikes Gas Price

Cooperates with independent filling stations in Cleveland area to get ½¢ more.

How far will union activity go, in attempts to set standards for industry?

A complete answer, of course, is impossible—but there are indications that unionized thinking does not stop with wages and hours. Witness the move last week in the gasoline retailing field, in the Cleveland area: the union ordered and obtained a half-cent increase on gasoline price, per gallon.

Independent gasoline distributors who belong to the Master Gasoline Operators Association, controlling more than 1,400 of Cleveland's 1,500 filling stations, put the deal through with the help of the Gasoline Station Operators Union. A raise of \$8.75 a month for attendants accompanied the price increase.

Oil companies which have been edging out of the retail field by leasing stations to individuals were shocked, to put it mildly. Standard of Ohio, usually the local leader in price adjustments, kept the old price in its company-

operated stations, and were met by a threat of picketing from the operators' union. Such a move would not be difficult, as the company has very few stations left. It has all but a half-dozen of its stations in the Cleveland area. The rest are run by men who are now members of the Master Gasoline Operators Association.

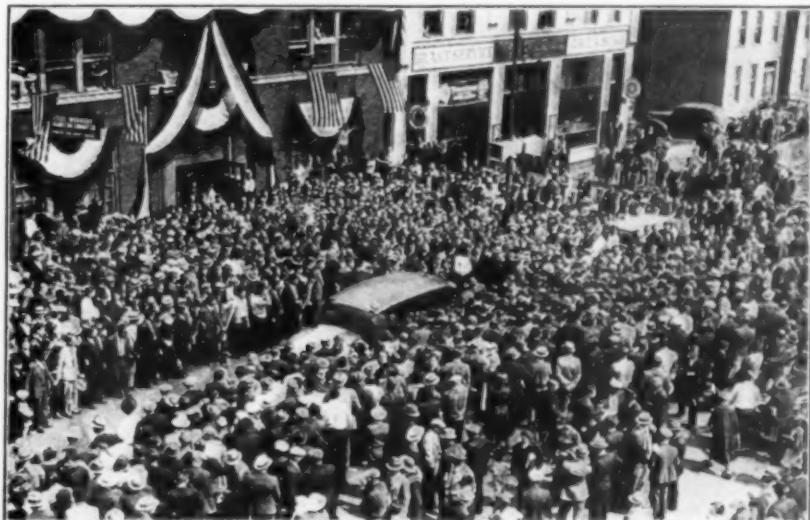
Non-union operators of Standard stations claim their sales have jumped 20% since the union price raise, but the union says its own sales haven't been hurt. The public, used to price fluctuations, isn't alarmed to date.

"Collusion between marketers and a labor union" was the characterization used by A. A. Stambaugh, general sales manager for Standard. He conceded the right of unions to enter into agreements fixing wages, hours, and working conditions, but said it had stepped across the line in raising prices. And the union retorted that the former operating margin of 3½¢ a gallon was too slim, adding that other independent merchants, such as grocers, fixed prices.

Keep Old Distinction

The truth is, however, that the lessees, although legally set up in business for themselves by the companies which have thus sidestepped possible chain-store and labor legislation, still consider themselves labor as distinguished from capital. They aren't, in their own minds, "independent merchants," although they use that argument.

Last year a similar price-fixing attempt fell through in Akron, because the number of company stations was larger and because of the union's inability to maintain price discipline in its own ranks. In Cleveland, the operators and attendants are joined in brother unions, and are far stronger. They are in something like the position of master and journeyman barbers, who act together to fix the price of haircuts.



CHICAGO RIOTERS—They bury their dead.

Strike for Cool Air

Unions' demands mean bigger market for air conditioning. 1937 a record year.

EVERYTHING, it seems on these hot summer days, has an air-conditioning angle. Coincidentally with totals for the first four months' sales in 1937 by members of the Air Conditioning Manufacturers' Association, which set new marks and almost hit the figures for all of last year, two small items in the "shape of things to come" caught the eye of labor observers.

One comes from Kansas City, where a union being formed in a luggage factory brings up its demands. The workers (C.I.O. affiliates) want a 20% wage increase, a 40-hour week—and air conditioning in the plant.

Not to be left behind, the Retail Clerks Union in Toledo is asking air conditioning in stores which are being organized by that branch of labor. Others may follow suit.

No Buyers' Strike

So, it's a bright picture for the air-conditioning group, any way you look at it. Their first four months showed sales of \$41,311,301, which is 180% above the similar period in 1936 and equal to the first 10 months of last year. March was the best month in the industry's brief history, when sales spurted to \$17,137,869—more than the first four months of 1936. The second best month this year was April, with \$9,663,009 compared to \$3,751,015 in April a year before.

Smaller cash totals, but larger numbers of installations, in the opinion of manufacturers, may be expected in the next few months as buying turns partly from elaborate, year-round equipment to small, room-type units for home comfort.



NEW SENSE OF SECURITY—That's what the Administration's proposed wages and hours bill would bring to "an overwhelming majority of American business men." Thus testified Secretary of Labor Perkins last week before the joint session of the House and Senate Labor Committees.

Traffic Awaits New U. S. Ships

Roosevelt's \$160,000,000 building program comes at opportune time. Our ships must be fast to compete. Six-month subsidies planned.

FINANCIAL backing for the new merchant marine policy created for this country last year was outlined this week by President Roosevelt in a message to Congress.

An immediate appropriation of \$10,000,000 is requested, and another \$150,000,000 asked for a five-year construction program to replace vessels already obsolete or due to fall into that classification before 1942. The President estimates that this amount will be adequate to build 95 modern vessels—10 of them fast tankers—to replace ships now in service.

Subsidies Up to 50%

Government financial aid for the construction of new vessels may cover up to half the cost, according to the Merchant Marine Act which was passed last year. Administration is in the hands of the newly-created United States Maritime Commission, in whose five-man committee all of the government's shipping interests are concentrated. Joseph P. Kennedy, first chairman of the SEC, heads the commission.

The President revealed that proposals have already been made by ship operators for the construction of 28 new vessels, and it is expected that work on most of these will commence before the end of the year.

Under the new program, direct subsidies will meet the differentials in both

construction and operating costs between American and foreign services.

In presenting his plan to Congress, President Roosevelt called attention to some facts concerning American shipping which are not generally recognized. The new Merchant Marine Act, in ruling that operating subsidies can be paid only to ships which are 20 or fewer years old, determines when a vessel becomes obsolete. The President assured Congress that there was need for immediate action, for not only do most mail subsidy contracts expire on June 30, necessitating the disclosure to operators of a definite policy regarding replacements of old vessels, but by the end of 1942 nearly 90% of our foreign trade fleet will be more than 20 years old.

Subsidies on 6-Month Basis

New subsidies, it is understood, will be granted on a six months' basis so that they can be withdrawn if the operators refuse to conform with the new demands for fleet modernization with government financial backing.

Chairman Kennedy told *Business Week* that ocean mail contracts have been costing the government from \$25,000,000 to \$30,000,000 a year. The new operating subsidies will cost less than \$30,000,000, and a new \$90,000,000 fund has already been set aside to handle them for the next few years. This is entirely separate from

the \$160,000,000 which the President is seeking to provide as the government's share of the new construction program.

Shipyards Ready for Work

Shipping experts on the Maritime Commission declare that the 95 vessels which are likely to be contracted at once can be built in from 18 months to three years in shipyards already in existence in this country.

World shipping news provides the President with the best support for his program. At the end of 1936, more than 2,250,000 tons of new ships were under construction throughout the world, but the United States' share was less than 5%, compared with more than 40% for Great Britain and 10% for Germany. Japan was building twice as much as the United States.

More striking are some of the age and speed data on ships. In its last annual report, the old United States Shipping Board Bureau lists only 27 American ships of more than 2,000 tons which have been built in the last five years. This compares with 180 in the United Kingdom, 64 in Norway, 58 in Japan, and 32 in Germany.

On a speed basis, the same office lists more than 77% of our tonnage as limited to 12 knots or less, compared with 57% of the British merchant marine, 48% of the German, and 53% of the French.

A few months ago, a Japanese freighter journeyed to London at an average speed of 17 knots, in contrast to the average for freighters of 10 to 12 knots. The British shipping world was shocked.

Soon afterwards the *Canberra Maru* entered the Yokohama-Australian run at a 21-knot clip, cutting from 20 to 11 days the time required to land Japanese goods in the Australian market, and bring back wool for Japanese mills. Almost the same week, Los Angeles inspected a diesel tanker which had just crossed from Tokyo for oil at a speed of 16.6 knots. Japan now has four tankers faster than those of any other nation, and last year listed fourteen 17-knot freighters compared with Britain's eight.

Plenty of Traffic

Washington's shipping program is coming at an opportune time. World business recovery has brought a scramble for bottoms which assures operators of traffic. Passenger traffic is likely to reach a new peak this year. And the naval programs of all the great powers emphasize the naval auxiliary angle of the merchant marine. Congress is likely to react favorably to the President's proposals. After that, Chairman Kennedy is expected to propose changes in what he terms "a lousy law" to make it more workable.



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Wage-Hour Bill Exemptions

They may be limited to employers of four or five, if Administration has its way. Employers divided on question of flexible powers for board.

THE federal wage-hour bill has been on the boil long enough to indicate that Congress is not genuinely enthusiastic but will pass it this session.

Although the bill exempts small employers, the Administration doesn't like the idea and big business and organized labor heartily agree. Administration officials think exemption may be cut down to employers of four or five. This would exclude from the protection of the bill about 6% of the workers in manufacturing industries. A provision may be framed on the basis that in industries where, say, 20% of the workers are employed in plants employing one to five, all units in such industries shall be included.

The Administration recognizes that unless its coverage is broad, the bill will stunt the growth of small business, reluctant to bring itself voluntarily under its provisions by expanding, and that at the same time the bill will encourage multiplication of small business units and will thus tend to perpetuate sweatshop conditions.

The free rein given to the labor standards board in fixing wage and hours standards is distrusted by union labor. Employers fear it will disturb competitive relationships and that the board, over a period of years, will project minima and maxima standards of wages and hours to a point where they are intolerable.

A majority of manufacturers are ex-

pected, however, to prefer taking chances with the board. Some of them think the job is so complex that the board won't get round to them for a long time. On the other hand, some industries think Washington will tangle with them fairly soon.

The board's prospective task is stupendous. Probably the nearest parallel is furnished by the Interstate Commerce Commission's job in passing on freight rates. In an ordinary year the ICC



Wide World
"CAN'T BULLDOZE ME"—That's what Senator Rush Holt told John L. Lewis before the joint wages and hours committee.



PROPOSES 30-HOUR WEEK—Robert M. Johnson, president of Johnson & Johnson, at the Black-Connery bill hearings.

handles 1,600 cases. Each involves one or more commodities, shippers, and railroads. The commission has to consider not only the commodity involved but its market and its competitive relationship with other commodities produced in other localities.

The Walsh-Healey Act has furnished a small sample of what's ahead in administering the wage-hour bill. It's almost a year since that first stop-gap for NRA was passed and in that time the Labor Department has set a minimum wage for only one industry—men's work clothing. However, the department was not given adequate funds for enforcement. Incidentally, projected amendments to close loopholes in the Walsh-Healey Act will go over until after the wage-hour bill is passed, when others to bring the two into conformity on requirements regarding wages and hours will be submitted.

The American Federation of Labor and the Committee for Industrial Organization won't fight each other about

the wage-hour bill, and the Administration is not disposed to probe the statements of William Green and John Lewis that they are for it. They will not openly express the fear that it leads to government control of labor unions, but Congress will see to it that the bill does not let any board encroach on collective bargaining.

On one point Congress will not yield to organized labor. Lewis and Green's emphatic objections to the contrary, North-South-labor differentials will be preserved. It's the Solid South against the Yankees.

Chairman Connery of the House Labor Committee wants the standards applied to bar imports, but he hasn't a scrap of support either in organized labor or the Administration.

Higher Retail Markup

PRESSURE of independent retail groups for a guaranteed markup of 33½% on liquors and 40% or more on drugs is forcing manufacturers who have already established minimum prices under the fair trade laws to re-issue contracts at higher levels. Last week Burroughs, Wellcome & Co. hoisted the minimums on four products about 8%, and Personal Products Corp. revised the price on Modess from 51¢ to 53¢. Previously, Schieffelin & Co., liquor importer, had hoisted Teachers Highland Cream scotch from \$3.29 to \$3.39, while Julius Wile & Sons announced similar advances on half a dozen lines. Large liquor retailers in New York City who oppose the price fixing contracts have been negotiating for the return of large stocks of controlled brands, saying they could not move them at the high prices. This return-goods movement is expected to spread in various lines throughout the 38 states with fair trade laws.

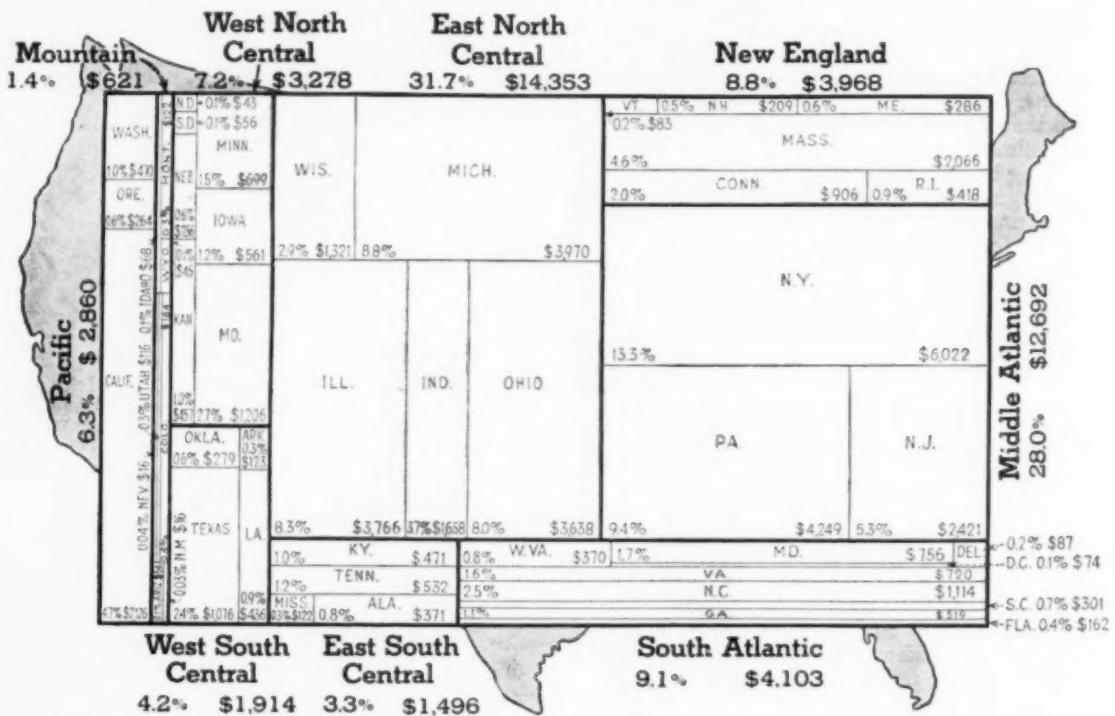


ADMINISTRATION MEN—Representative Wm. P. Connery and Senator Hugo Black, sponsors of F.D.R.'s wages and hours bill.

HOW THE STATES SHARE IN MANUFACTURING OUTPUT

Based on preliminary census returns for value of products—1935

Left hand figure: Percent of U. S. output of \$45,283,350,000. Right hand figure: Value of output in millions



Form of chart devised by Roland P. Falkner and Edward T. Frankel, and utilized here by permission

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BIG AND SMALL INDUSTRIAL MARKETS—This distortion map completes the trilogy of such unique charts presented first by *Business Week* to emphasize the important regions and states in the retail (*BW*—Oct 31, '36, p32), wholesale (*BW*—Dec 12, '36, p36), and manufacturing fields as determined by preliminary census returns for 1935. Each state and region is shown with its area made proportional to the value of manufactured goods produced within its borders.

Note that while New York State ranks first in all three fields, it is less important as a manufacturing state than as a retail or wholesale distributing state. Note, too, that the East North Central states are much more important as manufacturing states than as wholesale or retail areas. In the past few years, the East North Central states have definitely displaced the Middle Atlantic in the industrial market on the triple count of value of goods produced, wage earners employed and wages paid.

Industrial Markets

Analysis of census figures reveals which regions are gaining, which are slipping.

In evaluating the industrial market, few records are more eagerly sought by sales managers than those supplied biennially by the Census of Manufactures. Data from the latest census covering the year 1935 have been released piecemeal since June, 1936, representing an achievement in speedy reporting, but the complete story of what has happened to industrial markets since the recovery began is yet untold.

In an attempt to uncover general trends disclosed by the first returns, *Business Week* has tabulated the data on number of establishments, number of wage earners, wages paid, and value of goods produced, and presents what

is probably the first analysis of the subject.

Two significant points stand out: (1) that the East North Central states have entrenched themselves as the leading industrial section on the triple score of number of wage earners employed, wages paid, and value of goods produced, and (2) that, on the same score, the South Atlantic and East South Central states made the best recovery with respect to 1929, coming closer to that peak year by 1935 than any other section.

In 1935, the country's manufacturing industry (represented by the 168,181 establishments whose individual output was worth \$5,000 or more) produced \$45,283,350,000 worth of goods, a 35% reduction from the \$69,862,792,000 manufactured in 1929 by some 209,819 establishments. The South Atlantic states whose welfare hinges on the cot-

ton market were able by 1935 to get within 21.5% of their 1929 production, but the Mountain states (whose importance in manufacturing is minor) were still nearly 50% short of that goal.

The following table brings out the important regional shifts in manufacturing activity from the Middle Atlantic and New England sections to the East North Central, Southern, and Pacific Coast areas.

Percent of Total Value of Manufactured Goods

Region	1909	1919	1929	1935
New England	12.9	11.5	9.1	8.8
Middle Atlantic	34.5	31.8	30.4	28.0
East North Central	25.2	28.4	30.9	31.7
West North Central	8.7	8.3	7.6	7.2
South Atlantic	6.7	7.1	7.5	9.1
East South Central	3.0	2.6	2.9	3.3
West South Central	3.0	3.7	4.0	4.2
Mountain	1.8	1.4	1.8	1.4
Pacific	4.1	5.1	5.9	6.3
United States	100.0	100.0	100.0	100.0

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earners employed and the volume of wages paid by manufacturing plants reveals an equally interesting shift westward and southward. By 1935, the East North Central states employed 28.8% of all manufacturing wage earners and paid out 32.1% of the total wage bill, while since 1929 the former leader, the Middle Atlantic states, had slipped down to second place with 28.6% of the wage earners and 30.2% of the payroll. Up and coming regions include the South Atlantic which had 12% of the manufacturing wage earners against 10.3% in 1929, and which paid out 8.7% of the total manufacturing wage bill of the country against 7.1% in 1929. The total number of wage earners employed in manufacturing plants in 1935 numbered 7,363,182, a body 16.5% smaller than the 8,813,821 of 1929. They received in wages \$7,513,528,000—35.2% less than the \$11,587,816,000 of 1929.

Changes in the number of establishments are of less importance than the above factors. The South Atlantic and West South Central states, for example, had far fewer plants in 1935 compared with 1929 than any other section of the country, but despite this shrinkage, brought about both by failures and consolidations, they ranked first and second respectively in restoring employment, wages, and value of goods produced to pre-depression levels, and these are the things that count.

Sports Business

Small Vermont region shows money is made when all help.

WINTER sports mean business to the Mount Mansfield-Stowe region of Vermont—business that amounted to about \$80,000 in the 1936-1937 season. The record shows what railroads and municipal groups can do in promoting recreational attractions of a place.

Last winter the Central Vermont Railways brought into the Stowe district 3,000 passengers, 95% from metropolitan New York, the rest split between Boston and Montreal.

According to Edmund Deschenes, Central Vermont vice-president, hotels and inns in the Stowe region realized \$36,000, village and farm homes \$10,000, restaurants, lunchrooms and roadside stands \$6,200. Just outside the immediate Stowe area, Waterbury and Morrisville took in about \$1,000 for rooms and meals. Sales of gasoline, oil, repairs and storage brought in \$3,000 to the garages of the district. The bus and taxi business got \$7,000.

About \$4,000 went for winter sports equipment and for the use of ski tows and so on. The visitors paid telephone and telegraph charges totaling \$2,000.

Brookings vs. President

Institution opposes his reorganization plan. Says independent agencies should not be put in departments. Urges divided control of advertising.

"To the contention that large fields of public policy are dominated and controlled by these commissions, the answer is that they should be. It is not desirable that social policies be the football of politics. These boards and commissions are agents of Congress. . . . They are in no sense agents of the President."

Thus this week the Brookings Institution provided opponents of the President's program for government reorganization (*BW*—Jan 16 '37, p26) with objections to his proposals and with blueprints for an alternative setup of the executive agencies that regulate private business.

The report is No. 10 in the series of Brookings studies jointly financed by the Byrd Senate Committee, the Buchanan House Committee, and the President's Committee on Administrative Management. At sharp variance with the report of the President's Committee, recommending that the independent agencies be attached to the regular departments, the Brookings study will be referred to the Joint Committee on Government Reorganization, which may recommend legislation for "must" consideration in this session.

Regardless of the extent to which the joint committee follows the Brook-

ings blueprint, the report is likely to end the long rivalry between the Food & Drug Administration and the Federal Trade Commission for power over food and drug advertising. Its proposed settlement of the five-year war may be accepted by Congress. It is based principally on two observations:

(1) The Food & Drug Administration, in its work of regulating commerce in foods and drugs and protecting public health, exercises a proper function of a departmental agency, based on a fixed rule of law which is defined by Congress and which can be applied by scientific analysis and findings of fact. In the proposed regulation of advertising, use should be made of the bureau's large inspectional and laboratory service; hence complete separation of the commodity and advertising control functions is not feasible. (2) However, many F&DA actions involve "the making of decisions which govern large situations rather than only the making of a decision in a specific case." And this type of regulation the Institution believes should be exercised only by independent commissions. As to trade practices, it feels such control should be exercised only by FTC.

Hence, the final recommendation that



Business Week

THE RIGHT MAN (OR WOMAN) IN THE RIGHT JOB—That's one of the leading purposes of the training offered by the Chrysler Institute of Engineering, sponsored by Chrysler Corp. The institute consists of a trade school, open only to sons of Chrysler employees; an undergraduate school, restricted to Chrysler employees; and a graduate division, whose entrants are carefully chosen from the best graduates of engineering schools here and abroad. Above, the youngest and oldest among the graduates who received certificates at June 3's commencement exercises.



International
THEY'RE TELLING US—New York gas and oil men are putting up these little reminders of their double duties. Nearly 30¢ of every gasoline dollar goes to the state or the federal government.

"food and drug cases which involve unfair methods of competition [notably, contemplated advertising actions] might be prosecuted by the Food and Drug Administration before the Federal Trade Commission . . . which would act as an adjudicatory authority."

The report recommends that the judicial division of the commission be transformed into a lower court, judging all matters affecting trade practices. Trial examiners would dispose of routine cases, while the full commission would hear actions involving broader issues, with appeal to the Circuit Courts. FTC's legal division would retain its present powers over unfair methods of competition, plus such trade practice control functions of other bureaus as could be wholly lodged in FTC.

Thus the regulation exercised by the Department of Agriculture under the Packers and Stockyards Act and by the Commodity Exchange Commission under its organic act might be vested in the commission, which would also take over from the Department of Justice all control of monopolies and restraint-of-trade cases under the anti-trust acts—except criminal cases—thus assuring a more consistent enforcement. The report also recommends that the Federal Alcohol Administration be dissolved and liquor control vested wholly in the Treasury Department or divided between FTC (trade practices), F&DA (adulteration and misbranding), and the Treasury (granting of permits and tax collections).

Other Brookings recommendations include:

(1) That the Bureau of Air Commerce and the Maritime Commission

confine themselves to promotional activities and that regulation (rates, licensing of airmen and aircraft, operating and training schedules, investigation of accidents) be lodged in the Interstate Commerce Commission.

(2) That control over national banks be transferred from the Comptroller of the Currency to the Federal Deposit Insurance Corp.

(3) That a joint board be created to pass on all matters within the jurisdiction of both the Federal Power Commission and the Securities and Exchange Commission (prescribing systems of accounts for public utilities, regulating contracts between service and operating companies, making investigations, and promoting the integration of utility systems).

(4) That a code of administrative procedure be devised to establish standards for all types of regulation and to codify enforcement techniques, and that administrative courts be set up—bodies like the Board of Tea Appeals in the Department of Agriculture to review decisions of departmental agencies, and more formal judiciaries like the United States Customs Court to review decisions of the independent commissions.

Anti-Utility Moves

F.D.R.'s message doesn't seem very ominous, but Norris' plan for 7 TVA's alarms companies.

For several weeks the utilities waited with apprehension for a Roosevelt message which, according to rumor, would go far to clarify the future policy of the Administration toward electric power production. Late last week the message went to Congress, and the industry breathed a sigh of relief at the discovery that it was a repetition, in general terms, of the President's old plea for more effective conservation of natural resources, this time by the insertion of seven regional planning bodies between the existing National Resources Committee (due for permanent status under the governmental reorganization plan) and the various local, state, and sectional boards with which it has been co-operating.

With two exceptions, said the President, "the work of these regional bodies, at least in their early years, would consist chiefly in developing integrated plans to conserve and safeguard the prudent use" of natural resources. They would report their recommendations to Washington where the National Resources Committee, with one eye on the budget, would correlate the seven reports and prepare for Congress a neat public works program that would eliminate floods, dust storms, droughts, soil erosion, and other ills.

The exceptions would be the Tennessee

see Valley Authority, which would continue its noble experiment, and the Columbia Valley Authority, which would find in its lap the problem of selling surplus power from Bonneville and, in a few years, Grand Coulee. These two would, of necessity, do more than supply plan.

It all sounded very innocuous until the utilities saw the bill that Sen. Norris introduced to put the plan into effect. In 49 carefully printed pages he rewrote the TVA Act, added a few touches that he has learned since TVA started, and multiplied the result by seven. The regional planning boards became Authorities, with full power to take steps to accomplish their objects in conservation, to condemn the necessary real and personal property, including transmission lines and substations, and to veto the construction by private capital of any facilities that might interfere with their own objects. Not only would they prepare plans, as the President suggested, but they would also execute them.

There is a strong suspicion about Washington that Sen. Norris ran away with the ball. The bill introduced by Rep. Mansfield, chairman of the Rivers and Harbors Committee, is much more moderate, following the regional planning idea in the President's message closely. Logical conclusion is that the President would be satisfied with the Mansfield version, but has given Norris a free hand to get as much more as he can—and Norris has a habit of getting a large part of what he wants.



Business Week
NEW CHEVROLET PLANT—Last week M. E. Coyle turned ground for the new engine and axle plant Chevrolet will have in operation in Buffalo by January. The plant will employ 3,000 workers.

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Ready for Drug Bill "Solution"

House committee prepares to demand action on Lea bill, which gives control of advertising to FTC. But consumer groups plan a prolonged fight.

DELAYED by death, illness, and internal dissension, the House Interstate and Foreign Commerce Committee seemed at last ready this week to press for action on its solution of the question of new food and drug legislation—a solution which in reality is no solution at all in that it will probably not end the fight but only prolong it, possibly into its fifth year.

Three months ago, the finally revised version of Sen. Copeland's food and drug bill came to the House committee with the Senate's O. K. on it. But the committee wasn't interested in that bill—at least its chairman, Clarence F. Lea wasn't—because it provided for regulation of advertising by the Food & Drug Administration. Mr. Lea was sworn to see that that power was reserved exclusively to the Federal Trade Commission.



Wide World

THE AUTOMATIQUE—Recently opened in New York is a highly mechanized cafeteria that goes the long-established Automat one better. In the new eating place the diner sits at a rectangular table and watches everything on the menu pass by on a belt. When he sees something he wants, he just reaches out and helps himself. Payment is determined by the color of the plates. The above photo shows a counter in the Automatique. Money is put in the slot and the shelves move down one step. Brought to America by a Viennese gentleman, Mr. Leo Scharf, the Automatique has proved popular in Europe where more than one hundred are in use.

Not only had the House declared a preference for the FTC in formal vote last year, thus setting a precedent for Mr. Lea to follow, but, according to reports, the chairman has been none too well disposed towards the Food & Drug Administration since it stirred up trouble for his California constituents a few years ago, all over a little matter of worms in dried fruit.

So Mr. Lea pigeonholed the Copeland bill, removed Rep. Virgil Chapman from the chairmanship of the subcommittee on food and drug legislation (because Chapman was known to favor F&DA), and took that position for himself. In his new capacity, Mr. Lea first turned his attention not to food and drug legislation but to his own bill to enlarge the power of the Federal Trade Commission by giving it authority over all unfair or deceptive acts in commerce, instead of just those in which unfair competition can be proved. From the Copeland bill, Mr. Lea then lifted definitions, provisions, and proposed enforcement techniques for the regulation of food and drug advertising and added them to his own bill with appropriate modification to the Trade Commission's use.

Consumers Protest

But right off Chairman Lea ran into trouble. Consumer interests, which have protested every weakening of the proposed food and drug legislation, denounced his proposal, charging the FTC with an indulgent sympathy for patent medicine makers. Nor could Mr. Lea find any substantial commercial support for his measure; some big advertisers doubted that the FTC cease-and-desist system could restore advertising generally to the consumer's good graces, while others disliked the prospect of having their advertising policed by the FTC and their products and labels by the F&DA.

Thus last week in his private capacity, Charles Wesley Dunn, attorney for the Associated Grocery Manufacturers of America and the American Pharmaceutical Manufacturers Association, advised Mr. Lea that the same law which sought to regulate adulteration and misbranding should also regulate advertising; that since the Lea bill and its companion measure, the Wheeler bill, already approved by the Senate, would extend FTC's power over all unfair or deceptive acts in commerce, special provisions for FTC's regulation of food and drug advertising would be superfluous; that the Copeland bill's adver-



Is it swimming you want . . . sparkling sand and racing surf . . . ocean breezes sweeping over long cool breakers? Aqua-planing, boating, fishing? They all are a part of Virginia's Seashore playground.

Or golf, perhaps? Rolling fairways, well-trapped greens, inlets, tides and sea breezes lend challenging new barriers.

A game of tennis? Championship courts await you.

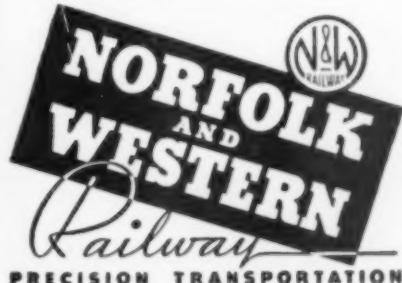
Horseback riding? Thoroughbred mounts will show you the way through shaded pine woods, by towering sand dunes, to the hard-packed beach along the water's edge.

Music and dancing . . . Beach clubs and seaside pavilions.

Comfortable inns where the tariff is reasonable, homey cottages for privacy and rest, exclusive resort hotels—and luscious sea food fresh from the ocean.

The fun has started! Come on!

Our Passenger Traffic Department representatives will be glad to help you plan your vacation, make reservations for you, or supply you with information on rates. We will plan your trip for you from start to finish: what to see and do, time required, and cost schedules.





The New
MARCHANT
*All Electric . . . Full Automatic
 Silent Speed CALCULATOR*

The Revolutionary advanced calculator that readily shoulders the added figure-work

March on with MARCHANT'S unequalled **Silent Speed**. Answers all figure problems far faster than any other calculator! Its smoothly flowing mechanism always operates at top-speed—never falters—never slows down—never halts! Its **all-electric operation**, with **one-hand keyboard control**, enables the operator to work faster and with far less effort. MARCHANT'S foolproof accuracy eliminates all risks of human error. Completely automatic—no strokes to count, no bars to hold down! **True-figure proof dials**; perfect 3-dial alignment; complete carriage **capacity carry-over**; positive **electric clearance**; and countless other new and exclusive MARCHANT features!

MARCHANT
CALCULATING MACHINE COMPANY

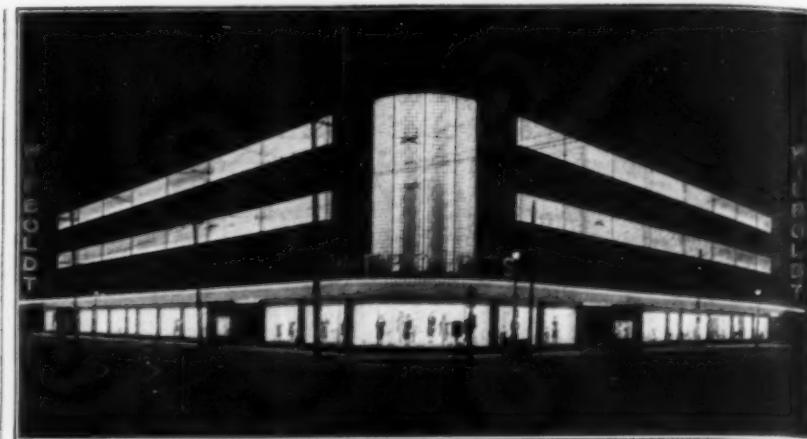
Service Throughout the World

HOME OFFICE: OAKLAND, CALIFORNIA, U. S. A.
 Get All Important MARCHANT Facts Now!

Marchant Calculating Machine Company
 1475 Powell Street
 Oakland, California
 BW-6-12

Please send me further MARCHANT information without cost or obligation.

Name.....
 Address.....
 City..... State.....



Business Week
"CLASSICAL" ARCHITECTURE—There's a promotional value in the architectural use of glass, as this night view of the new Wieboldt department store in the Oak Park area of Chicago proves. The long horizontal bands of Insulux glass blocks can be illuminated with any color, by an arrangement of colored bulbs within the building.

tising provisions encroached no more on FTC authority than did the existing food and drug law's regulations covering adulteration and misbranding; that, finally, FTC lacked the scientific training and equipment to deal with false advertising as efficiently as F&DA could.

But having already shrugged off much these same arguments, advanced by dissenting members of his own committee, Rep. Lea this week proceeded to whip his bill into final shape, ready for committee approval and introduction into the House. As it stands now, the bill applies the regular FTC cease-and-desist system to the regulation of food and drug advertising. But that system generally is made a more potent law enforcement weapon by the addition of civil penalties ranging up to \$5,000 for the violation of any FTC order. Criminal penalties, beginning at \$5,000 or six months in jail for a first offense, are also provided for the false advertisement of any food, drug, or cosmetic product injurious to health.

Doubt "Routine Manner"

As the bill stood early this week, the reference to the Department of Justice of all cases involving either civil or criminal penalties would have been mandatory, but Chairman Lea was expected to succeed in his endeavor to limit mandatory reference exclusively to the criminal penalty cases, leaving FTC free to police and enforce in its routine manner all cease-and-desist orders involving simply false advertisement and not touching products injurious to health. Consumer critics say FTC's "routine manner" would never be effective in checking false advertising, and that's why they still hope to see advertising control lodged in the Department of Justice, if they fail in their efforts to establish the Food & Drug Administration as copy czar.

They also plan to train their guns

on one other significant change in the latest draft of the Lea bill when it gets out on the House floor. Originally, the Lea bill specified criminal penalties for any advertisement which in itself was injurious to health. As revised, the criminal penalties would apply only to the advertising of products that are injurious to health. This is an important distinction, for they say Lea's newest language will be completely ineffective in dealing with a nostrum like Banbar, harmless in itself but potentially dangerous to health when advertised as a cure for diabetes.

Illustrating the Difference

These same critics also hope to make capital out of the recent case of Kruschen Salts. Four years ago the manufacturer was ordered by the Trade Commission to stop some of his advertising effusions—without, according to the consumer groups, any noticeable effect. More recently, the Food & Drug Administration has been making seizures of the product because it was labeled as a germicide and a cure for varicose veins and varicose ulcers. Last month, the manufacturer was found guilty of all charges, fined \$2,000, and ordered to clean up his labels on threat of a jail sentence. Thus is demonstrated, say Copeland bill backers, the difference between FTC's go-and-sin-no-more orders and F&DA's criminal court proceedings.

Despite the fact that Congressmen Rayburn, Chapman, Kenney, and others will probably lead a strong fight for F&DA on the House floor, the Lea bill is apt to go through. It stands a better than even chance of coming unscathed out of the conference with the Senate committee, but F&DA is counting on the Senate to turn it down when it reaches the floor. Failing there, F&DA centers its last hopes in the President who thus far has kept as clear of the quarrel as he could.



Get a "Horse"!

CAN'T YOU JUST HEAR the lady muttering, "Horseless carriage, indeed!" and the gentleman praying for darkness to spare them the neighbors' grins?

But see this family a few years later. Now they have a car that gets there *and back*. Indeed, little boys have stopped jeering, "Get a horse"; they're actually beginning to yell, "Gee, look at 'er go!"

The difficulty was no longer how to get started, how to keep going, but how to stop. The need was for better brakes and better brake lining.

And Johns-Manville research men

helped supply them; developed the first asbestos brake lining; helped make quick, sure, safe stops a matter of pressing the brake pedal.

* * *

For almost half a century, Johns-Manville has pioneered the CONTROL OF MOTION. Today, on millions of motor cars—on huge fleets of trucks—on cross-country bus lines—on hoisting machines—on cages and cars that lower men and materials into the pits of the earth—on machinery and giant cranes—on the wheels of all industry, Johns-Manville Brake Linings, Friction Blocks, Clutch Facings

are rendering sure, dependable, low-cost service.

With unequaled production facilities, with the control of its own asbestos mines, with continuous research for the development and perfection of new friction Materials, Johns-Manville is qualified to meet any braking problems.

Along with that, Johns-Manville has today assumed a responsibility in the training of your local mechanic and service-station man in the intricacies of modern brake operation, so that you may have scientific and correct brake service.

JOHNS-MANVILLE JM

Lives to safeguard, schedules to maintain, leading bus fleets turn to J-M Brake Materials. Report mileage excellent, brake costs low.



Your car's a safer car equipped with Johns-Manville Brake Lining; it's especially designed for today's faster, more powerful models.

Elevators, hoists, cranes, shovels, draglines, dredges—Johns-Manville Friction Materials brake them all efficiently, economically.





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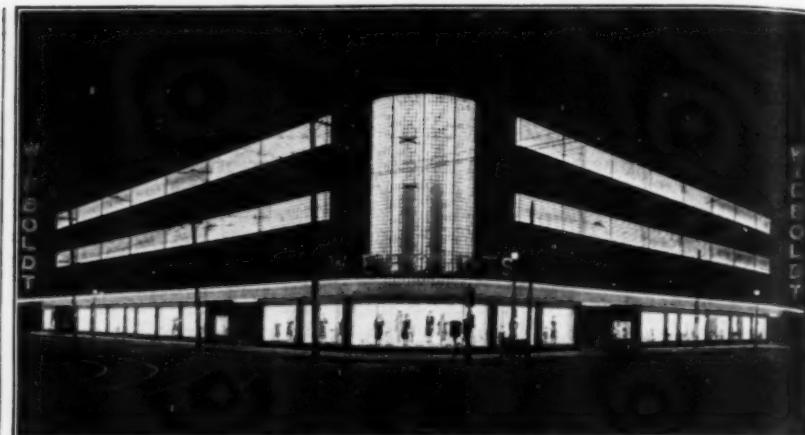
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Elevators, hoists, cranes, shovels, draglines, dredges—Johns-Manville Friction Materials brake them all efficiently, economically.





JUST OFF THE PRESS— New Free Book on Fencing

Many a manufacturer has found that there is no protection and no saving in makeshift fences.

They find that sturdy, dependable Cyclone Fence is not only the best property protection money can buy—it is actually the *lowest cost* protection in the long run!

Cyclone Chain Link Fence will guard every foot of your property line every minute of the day and night. No other watchman could serve you so well. Sturdy, unclimbable and fire-safe, Cyclone is built to stay put. It reduces insurance rates—keeps marauders out and your valuables in.

And Cyclone lasts longer. It is made of copper steel to resist rust. Galvanized after weaving, so that the protective coat of galvanizing is not broken while the wire is woven. The chain link fabric bearing the "12M" label has an extra heavy coat of galvanizing.

Compare Cyclone with other fences. See for yourself how much less it costs in the long run when you consider the quality of protection you get, the cost per year of service, and the minimum maintenance cost.

CYCLONE FENCE CO., General Offices: Waukegan, Ill.
Branches in Principal Cities
Pacific Coast Division: Standard Fence Co. General Offices: Oakland, Calif.
Export Distributors: United States Steel Products Company, New York



This "12M" seal identifies a new standard of fence value—developed by Cyclone. Fence that bears this label has an extra-heavy coat of galvanizing, and will last longer.

FREE BOOK —write for it

A 32-page book, yours for the asking, crammed with facts and illustrations, will tell you all about fences—Chain Link Fence, Steel Picket Fence. How to have fence gates that won't drag, fence rails that won't buckle, fence post foundations that won't be weakened by frost. Cyclone Fence can be delivered to you in a few hours from the nearest warehouse. And a complete erection service, with trained Cyclone men, is at your disposal.



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TODAY

CYCLONE FENCE CO., Dept. 567, Waukegan, Ill.
Please mail me, without obligation, a copy of "Your Fence—How to Choose It—How to Use It."

Name _____

Address _____

City _____ State _____
I am interested in fencing: Industrial Property; Playground;
 Residence; Estate; School; Approximately _____ feet.

U·S·S Cyclone Fence

UNITED STATES STEEL

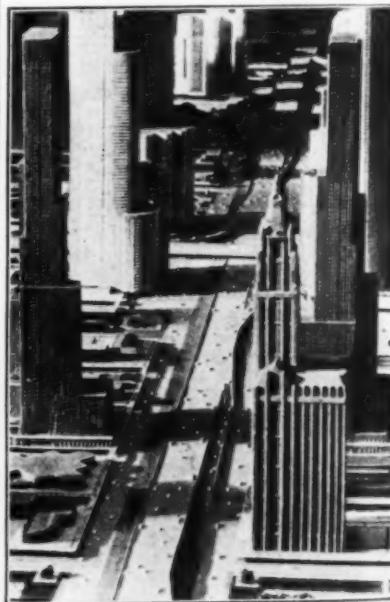
Fur Prices Higher

Buyers attend New York show and predict good year. New competitors enter business.

HUNDREDS of buyers in the fur business were in New York last week to shop and talk shop. They made profitable contacts, felt out the sentiment, and laid foundations for promotional campaigns back home. The Associated Fur Coat and Trimming Mfrs., Inc., with the cooperation of other organizations, was sponsoring a general exposition at the Hotel Pennsylvania and a fashion show at the Waldorf-Astoria, in farsighted preparation for the August sales officially opening the fur season.

"We're in for another good year": this seemed to be the consensus of both manufacturers and retailers' buyers at the exposition and show. From all the present indications, according to one fur man, unit sales of furs to the public will be 10% to 15% greater this year than last, and dollar sales will be much higher, largely owing to price increases, which on some lines are 25% to 50%. One exhibitor said that so far he had received orders from 30 new accounts, that some firms never in the retail fur business had been laying in large stocks of furs in the lower price ranges.

Some of the visiting buyers were a little cautious in purchases, and while conceding dollar volume would be materially above last year's, doubted whether unit sales would be higher.

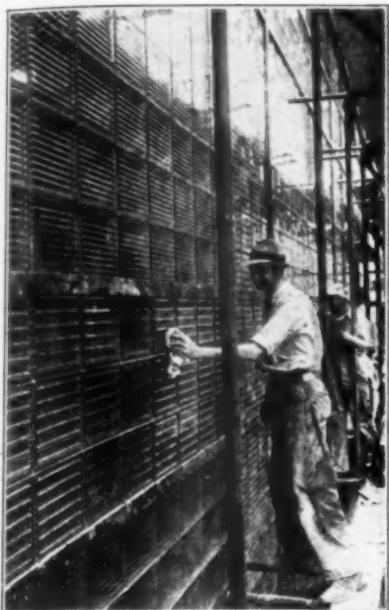


Wide World
TOMORROW'S CITY—Norman Bel Geddes constructed this model to demonstrate how traffic of the future will be handled on express boulevards with intersections eliminated. The model was used last week in New York to show the American City Planners Association how to solve traffic problems.

JUNE 12, 1937

BUSINESS WEEK

29



Pictures, Inc.

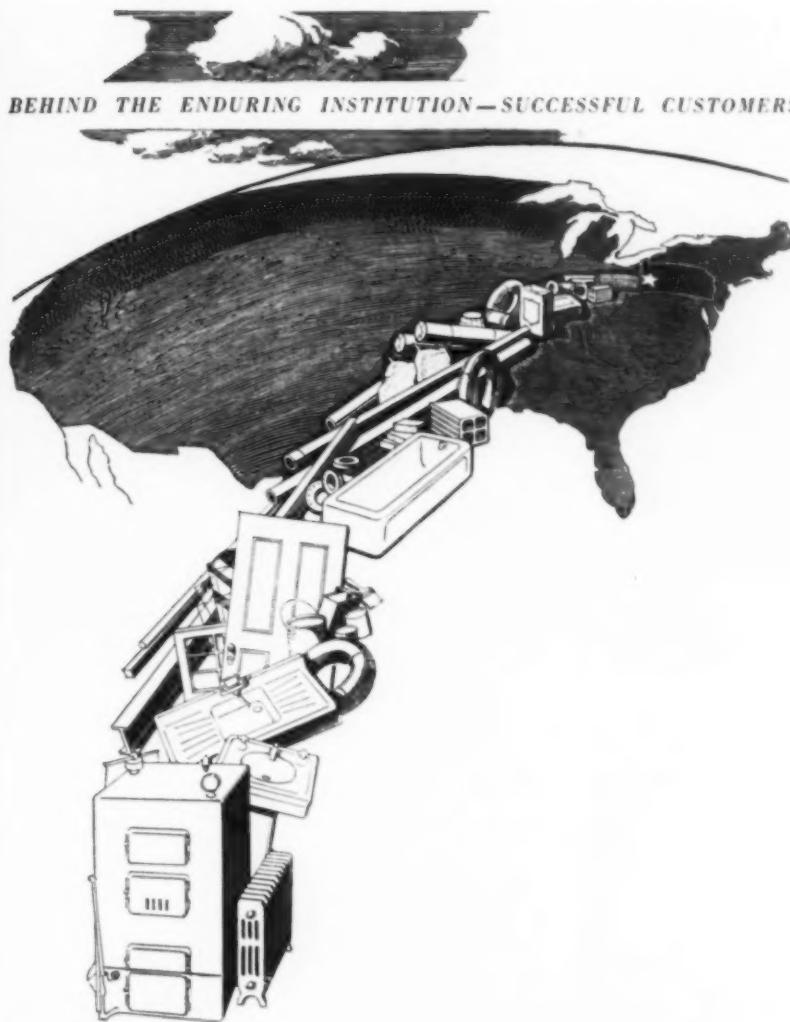
NEW YORK'S FIRST GLASS OFFICE BUILDING—Pedestrians on Fifth Avenue last week saw workmen polishing the glass panels of Corning Glass Work's new five-story office building. Completely air conditioned, the building has, and needs, no windows.

When asked what is behind the moderately or drastically higher prices, depending on the lines, this season, fur garment makers point not only to the expanding demand of the public, but also to increased costs of pelts, ranging from 10% to 80%, and to rising wage rates, which are running 20% higher this year than last. Mink was in demand last winter by European furriers, and with supply reduced for American concerns, the cost to them has risen.

Furs, like other kinds of apparel, are subject to changing styles. In the old days mink and Persian lamb were "old women's furs." People kept on wearing shapeless 10-year-old fur coats as long as they were still warm and not falling to pieces. In the past few years the industry has been busy making the consumer style-conscious. One big reason for Persian lamb's going so strong in America for the last three years is that manufacturers have given it youthful new styles.

Among the industry's headaches is the fur excise tax. It used to be 10% on the wholesale cost, with exemption of furs under \$75. Now it is only 3%, but there are no exemptions, and the government, reaching down into the bulk selling lines in the cheaper price ranges, has increased its revenues from the tax. Fur men indignantly claim that furs are no longer a luxury and should not be taxed as such. One job of the National Fur Institute which many in the business would like to see organized would be to get the tax cut out.

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Boost Southern Newsprint

American newspaper publishers answer higher Canadian prices by favoring manufacture of newsprint in South. New mills arise there, mostly making kraft.

ANNOUNCED boosts in prices of Canadian newsprint, plus rumors of further rises, hasten the day when Northern mills must meet the competition of Southern pine. For the first half of 1938, contracts for newsprint have been set at \$50 a ton, or \$7.50 more than present cost (*BW*—Apr 17 '37, p 42). Already a rise to \$55 is rumored for the last half of next year.

American newspapers are hopping mad. They say Canadian producers are trying to see how much the traffic will bear, and point out that if the increase is put over, Canadian mills will have started that old suicide cycle of high prices, increased capacity, overproduction, ruinous prices, profitless operation.

The increase stimulates the drive for a Southern newsprint industry. It comes at a time when all factors are propitious. The American Newspaper Publishers Association at its convention in April elected as its new president James G. Stahlman, young and aggressive publisher of the *Nashville Banner*. It also came out in favor of a Southern newsprint industry and provided for a committee on this subject.

Mr. Stahlman has been the leading champion of Southern newsprint. He is chairman of the newsprint manufacture committee of the Southern Newspaper Publishers Association. At a meeting of that body last month he said that capital groups interested in

a Southern newsprint industry were making inquiries and predicted that papers would "shortly be given the opportunity to sign contracts for Southern newsprint." Texas publishers have induced New York capital to build a small newsprint mill in East Texas.

While Dr. Charles Herty continues to attract wide attention with his experiments on newsprint paper from Southern pine, industry is watching with greater interest developments in the Southern kraft paper field.

Kraft Promises Action

The paper industry is beginning to wonder whether developments in the manufacture of kraft paper won't produce a commercial newsprint before Dr. Herty is ready to disclose his discoveries. Also there are those who wonder why the good doctor did not start in where kraft paper left off instead of striking out into untried territory.

The South's kraft paper industry is about 25 years old. It produces the tough, brownish paper used for wrappings, bags, cartons, and other containers. Try to tear a kraft paper beer case and you will understand why claims are made that the wooden packing case is definitely licked. This may annoy certain branches of the sawmill business but forestry interests remain serene as kraft also requires wood as raw material.

Of late a real boom has appeared in



Keystone

NEWS FROM THE SOUTH—In a Savannah laboratory, Dr. Charles H. Herty puts Southern pine logs through recondite processes that turn them into newsprint or into rayon yarn such as he holds here in his hand. The South sees a new source of wealth and many industries watch. Newspaper men are hopeful of domestic competition to cut the Canadian newsprint prices. Recently, however, they have been wondering if experiments now on in the South's new kraft mills don't promise quicker results.



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the down South paper industry. New mills are springing up in favored spots all over Dixie. Champion Paper & Fibre Co. built a \$4,000,000 sulphite plant at Houston, Tex., last year (*BW—Feb 8 '36, p9*). It recently announced an additional unit to cost \$1,500,000. Union Bag & Paper has tripled the capacity of its \$4,000,000 kraft plant at Savannah.

Southern Kraft, International Paper subsidiary, has gone into this field on a tremendous scale. R. J. Cullen, president of International Paper, is a pioneer of the kraft industry and was long head of this division in the company. It is said by the trade that Cullen's resentment at seeing profits from his units being used to bolster losing activities in the North and in Canada resulted in the unseating of A. R. Graustein and his own elevation to the presidency.

Big Plants for South

International now has big plants at Moss Point, Miss., Panama City, Fla., Mobile, Ala., Camden, Ark., Georgetown, S. C. (new). Recently it announced purchase of equipment for a new mill which will be the biggest in the world.

At Brunswick, Ga., the Brunswick Pulp & Paper Co. has rushed to completion its new mill. This will supply pulp for the Meade Fibre Co., Chillicothe, O., and the Scott Paper Co., Chester, Pa. It is estimated that these and other additions to the industry will add 1,500,000 tons to output and about double the capacity.

Technical advances are keeping pace with the parade. Mathieson Alkali Works and others have been busy on methods for bleaching the brown kraft product for better appearance of package and for possible new uses. By methods now in use, kraft stock can be made which will be whiter than present newsprint.

There is a huge saving in the kraft process (used in the South) over the sulphite process for newsprint (used in the North). The sulphite plants employ their chemical once and then must allow its escape—to pollute streams and make fishermen indignant. The kraft cooking chemicals (mostly salt cake and soda ash) are recovered up to 80% of the total and can thereafter be re-employed any number of times. The latest plants even capture a byproduct which is used to generate boiler steam.

It is estimated that a ton of Southern kraft pulp can be produced for \$25 against about \$45 for Northern sulphite pulp. The potential advantages extend all the way from the forest to the market.

Some 10 years back, cut-over pine lands in the South went for \$5 an acre. Values have multiplied since. A farmer owning pine woods can now sell off a cord per year per acre without impair-

ing his original stand. The mill pays him \$4 a cord. Thus a farmer with 100 acres of pines can make it pay him \$400 a year indefinitely. In those parts, \$400 a year represents the difference between affluence and poverty to many a poor white and Negro.

Big corporations are acquiring wide acreages to insure future operations of their plants. Progressive companies already have demonstrated that this land can be reforested at a cost of \$2 to \$4 an acre. Thus, by intelligently "farming and harvesting" its pines, a 75-ton-a-day pulp mill can run forever on 100,000 acres. And its management would be blessed by the conservation howlers.

Watch Mobile Experiments

Paper executives are deeply interested in such experiments as those of C. E. Hartman, operator of the Mobile (Ala.) Paper Mill. Prevailing technique for kraft pulp is to "cook" the wood in the chemicals mentioned above. Hartman is experimenting with the cheapest possible form of production—that of grinding. He uses wood of any age or size. About the only problem is to prevent gumming of the grinding stones by resin in the wood. Practical pulp makers see no reason why a perfectly good newsprint should not develop from this line of experiment.

Then why hasn't a Southern kraft newsprint already been put on the market?

There are lots of answers to that one. In the first place, the kraft mills are enjoying a phenomenal demand. One reason for the rush for new installations and the rise in prices of pine acreage is a shortage of kraft pulp. As long as this keeps up the companies are not going to bother with new equipment and new processes even if new markets go with them. A common prediction is that the next time the kraft mills feel a pinch in demand, the Northern newsprint boys had better sound a general alarm.

Some Obstacles for Future

Banks and others with investments in Canadian mills naturally will oppose creation of a rival industry in the South. These investors include in some cases large newspapers.

Furthermore, the question of a tariff as a future possibility raises its ugly head. Canadian pulp and newsprint enter the United States duty-free. Suppose the South builds up a hearty newsprint industry. And suppose that Canadian mills, feeling the pinch, start cutting prices. The logical countermove would be for a tariff against Canada. Under a Democratic régime (maybe any régime) Washington would give the Southern pine belt its desire. Newspapers might then be at the complete mercy of the Southern mills.

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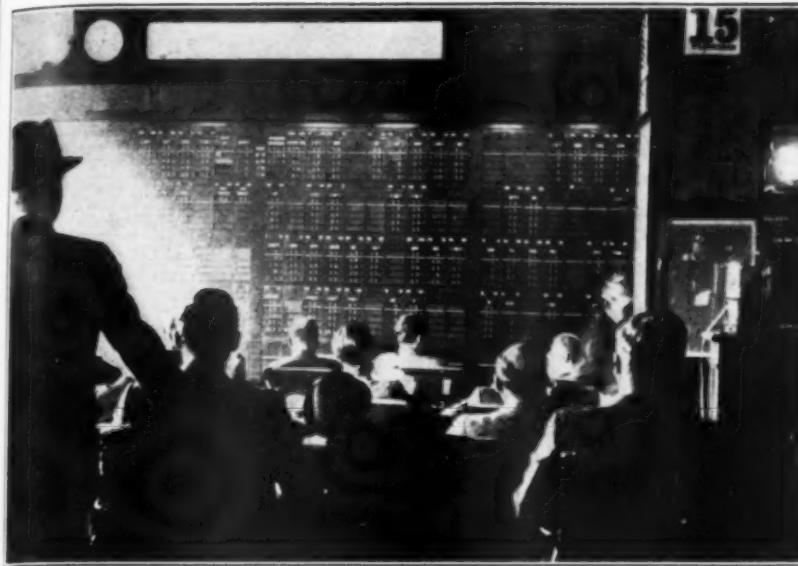
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International

IT'S A QUIET BUSINESS NOW—You won't find many brokers' board rooms as well-filled as the one in the picture above, taken several years ago. Today, with commissions cut and trading slack, many brokers are adding new services to bolster a fading business.

Brokers Now Investment Counsel

Many firms started this as a sideline, when they couldn't make money on commissions. The sideline has grown important. Its future is hazy.

BACK in October, 1924, by a vote of 448 against and 341 in favor, members of the New York Stock Exchange carried a resolution to increase commission rates. Yes, carried it, despite the majority negative. The governing committee had passed a rule raising brokerage and then had submitted the question to the members. Most of those who voted put their thumbs down, but the constitution of the exchange requires that a majority of all members (there were 1,100) must be mustered to override the governing committee. And so the present commissions went into effect.

Sweet Prosperity

But, instead of an immediate slack-off in volume of trading, activity stepped up. That was a Presidential year. The Coolidge bull market promptly got under way. The ruination howlers closed their traps. Prosperity rained down on Wall Street. Prices rose. Volume of trading soared. The multiplication table made brokers rich. Not only did more shares shuttle back and forth among buyers and sellers, but also the commissions per share rose, because prices moved steadily higher. By 1929, brokers were so busy and gay that they did what corporations found so profitable to do—declared a stock dividend—only in this case it was a "seat" dividend: 25%. So each

member had 1½ seats where only one had been before.

The fine, careless rapture of those carnation-festooned days (brokers customarily wore carnations in their buttonholes; a few still do) came to a dismal climax—the crash. Volume was so great, the exchange had to close for breath. In March, 1933, the exchange closed again because the banks closed. And when business was resumed, the New Deal had come to Wall Street.

During the doleful period after 1929, when volume dropped from the 5,000,000 shares per day level to a paltry 500,000, brokers tried new ways to make up for the drop-off in commissions. Just before the break, they went in for the sale of investment trust shares. After that, they offered fixed trust shares; and when that type of security gathered mildew, brokers went in for semi-fixed and open-end management trusts.

When Roosevelt announced "reflation" theories, and inflation was in the wind, brokers expanded commodity trading departments. Wheat, cotton, silver supplanted stocks as a source of income. Alexander Eisemann & Co., as late as last year, hit upon the bright idea of marketing certificates of deposit for platinum (*BW—Nov 7 '36, p24*) as an inflation hedge. These efforts were necessary to stop the deflationary onslaught of the multiplication table, now working in the wrong direction.

What happened was this. Share prices were low; most of the trades were in the \$10 to \$25 brackets (see chart, page 39). And since commissions were based on the price of shares turned over, the commission on each share was low. Moreover, trading was comparatively dull. So brokers got it in the neck in two ways: low commissions on small volume.

Picking Up Pin Money

When foreigners began hankering for American securities, brokers established offices abroad, or made arrangements with correspondents, and went into the arbitrage business on a large scale. Some expanded their over-the-counter departments, to eke out a little piece of side change. Investment banking firms tried new things. J. & W. Seligman; Lehman Brothers; and Brown Bros., Harriman & Co. (now private bankers) tried to pick up pin money by selling for a fee the services of their elaborate statistical organizations to an investing public that had become acutely conscious of the importance of statistics.

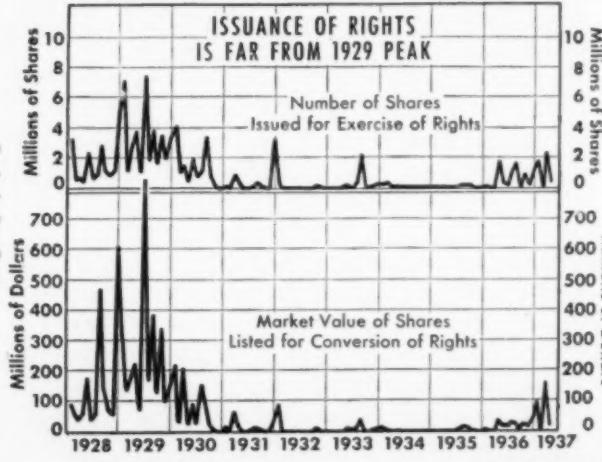
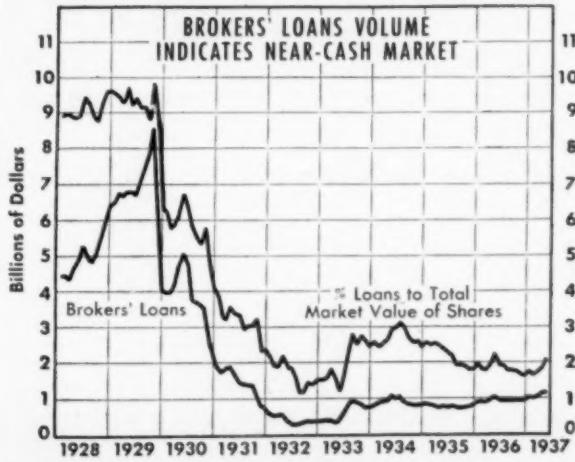
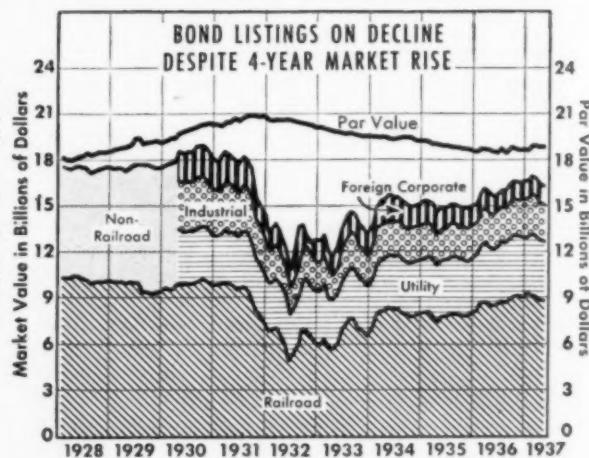
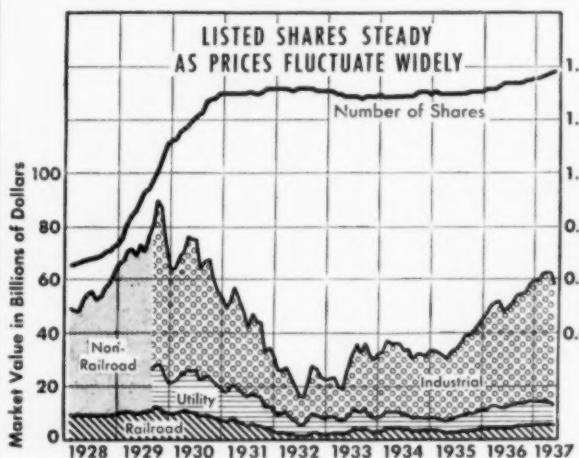
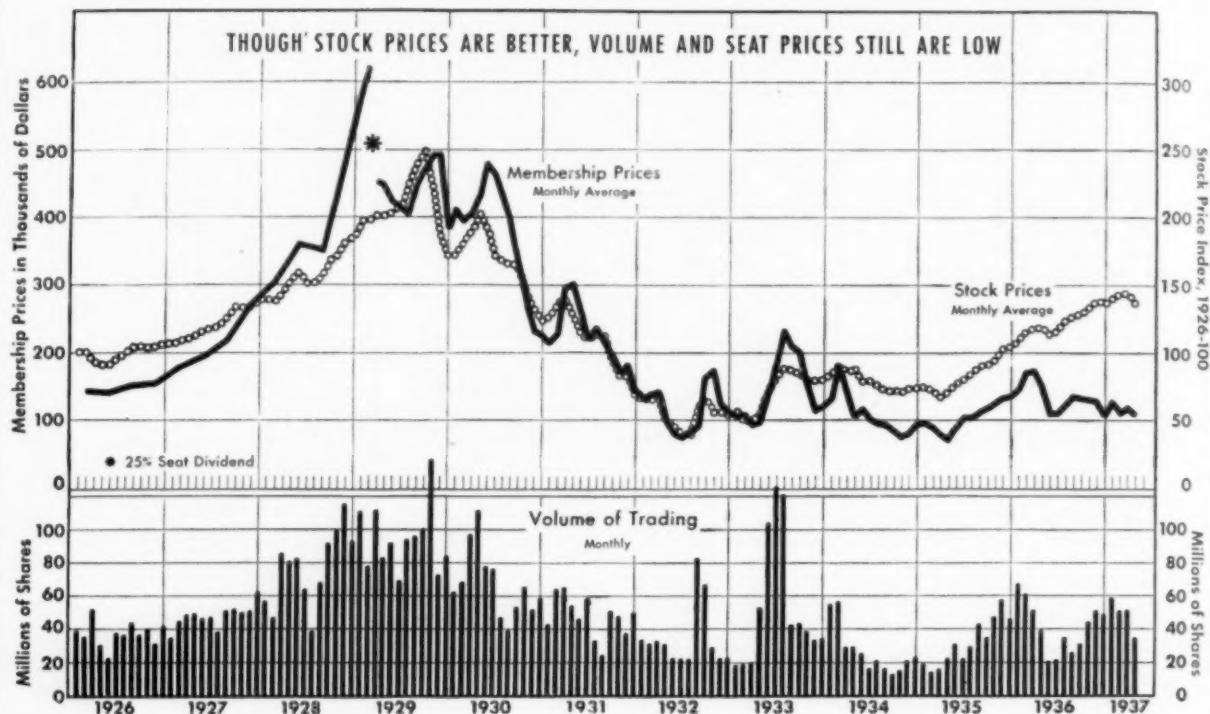
These three firms moved into direct competition with old-established investment counsel firms (*BW—Sep 19 '36, p42*) in a rivalry which the established practitioners did not relish but could do little about. It was natural that customers of banking houses should go to those same bankers for securities supervision. Brokerage firms, too, made incursions into investment supervision. They found that customers wanted reliable information. The day of the barber shop tip-taker was *passé*, and nobody paid any attention to the man who said he had a friend who had a friend who had a friend who worked for J. P. Morgan.

One Thing Led to Another

More and more, customers' men were called upon by their customers for facts, and they had to get the facts—somewhere. Brokers that had statistical organizations for the service of clients did better than firms that didn't; and firms that didn't, to hold on to their business, emulated firms that did. In origin, the statistical departments of brokers were different from those of investment bankers. The analysts and statisticians of banking houses were necessary adjuncts of the underwriting business. Bankers had to investigate the securities they were buying. Hence it was but a jog to putting that research at the disposal of their investing customers. And fees didn't hurt.

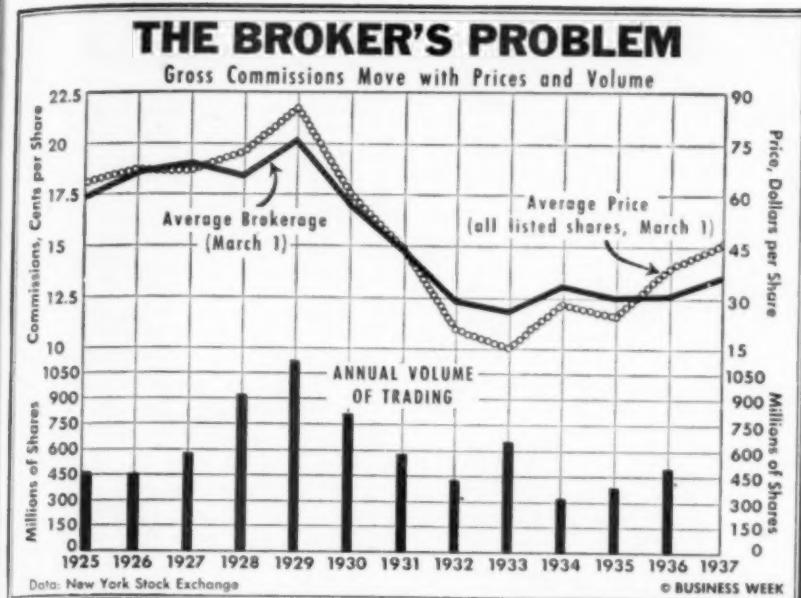
But the statistical departments of brokers were unblessed by that dual function. Primarily, they were established to serve customers; therefore their cost became a direct overhead charge against their commission busi-

THE NEW YORK STOCK EXCHANGE THROUGH THICK AND THIN



Data: New York Stock Exchange; Standard Statistics Co.

BUSINESS WEEK



FAR AWAY AND LONG AGO—That's how 1929 seems to Wall St. brokers. Though the average price per share of stock has risen in recent years, volume of trading is still relatively thin, and the average commission per share has recovered only moderately from the 11.8¢ low in March, 1933. Hence there is talk about higher commission rates. The data on average commission per share in the above chart was computed by Fenner & Beane, based on trading on Mar. 1 of each of the years shown.)

ness. But it had to be done. Customers had become investors. They wanted to know.

Among the first of the large brokerage firms to pop forth with a full-fledged research division was Chas. D. Barney & Co. Along about 1930 it began informally to supervise customers' accounts, and by 1931, under the direction of a partner, C. Redington Barrett, the firm was doing a fairly intensive advisory job. In 1933 the department went on a fee basis. The charge was 1%, considerably lower than the going rate among investment counsel doing a comparable job (*BW*—Sep 1936, p43), which didn't please investment counsel particularly. Barney's investment supervision department was kept distinct from the brokerage end of the business—because the interests of the two departments were not entirely harmonious. Investment accounts, from their very nature, tend to be less active than speculative trading accounts, and brokers are interested in a rapid turnover, for the commission that it brings.

Stock Exchange firms quickly discovered that research divisions cost money if they were to be worthy of the name, also that there were only two ways of making them pay: either (1) to put them on a self-sustaining basis by charging fees for investment supervision, or (2) make the free service pay for itself indirectly through commissions resulting from new business or from retention of old business. The Street divided into two schools. Shields & Co., Dominick & Dominick, and

H. C. Wainwright & Co. are among those who supervise accounts without a fee. Fahnestock & Co., J. R. Willis-

ton, and Fenner & Beane charge the usual investment counsel rate of 1% on the first \$100,000 or so.

Less In-and-Out Trading

The non-fee-ers expect customers to conduct most of their brokerage through the firm. The brokers that levy a charge do not insist that buying and selling be done through their own organizations. But they won't object to the business—all except Fenner & Beane. This large wire house refuses the brokerage account of a client for a six-month period. At the end of that time, the firm probably will relent, if pressed.

Ask any broker why he has embarked on "investment supervision" and he will tell you that the stock market has become an investment market; that the evidence daily accumulates that in-and-out trading is on the wane, and he will point to the low volume of brokers' loans (see chart, page 38) as testimony that the securities business has become an almost cash business. So the broker concludes that the firms which will survive must have adequate statistical organizations.

There is no unanimity on this point. E. A. Pierce & Co., largest commission house, does not engage in extensive securities supervision of the aggressive type; rather, it takes a defensive position—answers questions when customers

KOPPERS

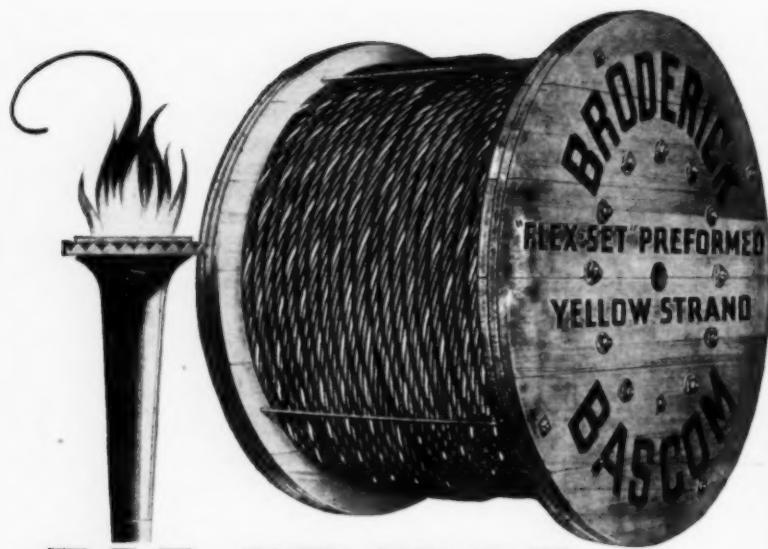
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- Mystic Iron Works
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KOPPERS-RHEOLAVEUR EQUIPS ANOTHER PLANT TO MEET THE DEMAND FOR WASHED COAL—The uniformity and increased heat value obtained from bituminous coal by washing have more than doubled consumption of the processed product in recent years. In line with this advance, Koppers-Rheolaveur launders today are handling 40% of all coal washed in this country, enabling mine operators to open new markets with a preferred product. Pictured above is the new preparation plant recently installed by Koppers-Rheolaveur at Island Creek Coal Company Mine No. 7, near Holden, W. Va. This plant is equipped to wet-clean 360 tons per hour of coal in sizes from 5" to 1/4", and to dry-clean 67 tons per hour of 1/4" to 0" size.

KOPPERS-RHEOLAVEUR COMPANY, PITTSBURGH, PA.



AN IDEAL-

The Guiding Light of Two Generations

61 years ago the two founders of the Broderick & Bascom Rope Co. started out with an ideal—a fervent passion to make wire rope whose very performance would indicate its high quality. Great and uninterrupted success was the result.

Today, with the second generation already long in command, that ideal still lives. Its guiding light is unabated.

Recognizing the many advantages of the new "preforming" process, Broderick & Bascom quickly adopted it. "Flex-Set" Preformed Yellow Strand is one of the resulting products.

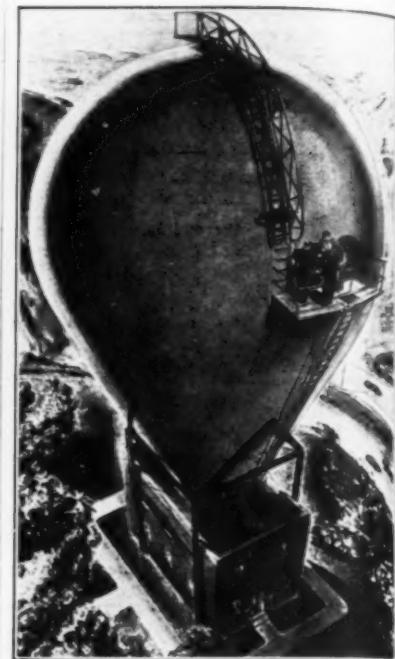
Regular Yellow Strand Wire Rope has always ranked as a super-rope. By *preforming* the wires and strands to a permanently helical form, this marvelous rope becomes "Flex-Set" Preformed Yellow Strand, with new properties impossible to obtain by the old process. It is wonderfully limp and flexible—practically pre-broken in. It is easy to handle and install; highly resistant to kinking, fatigue, drum crushing. All this naturally results in longer, more satisfactory, more economical life.

In all construction work, in mining, logging, manufacturing, "Flex-Set" Preformed Yellow Strand Wire Rope is proving its economy beyond any doubt. Try it.

BRODERICK & BASCOM ROPE CO., St. Louis

Branches: New York, Chicago, Seattle, Portland, Houston. Factories: St. Louis, Seattle, Peoria.
Manufacturers of all grades and construction of wire rope, preformed and regular, for every purpose

**"FLEX-SET" PREFORMED
YELLOW STRAND**



ATOM SMASHER—First drawing released by Westinghouse Electric & Manufacturing Co. to show the exterior of its huge "atom-smashing" equipment now under construction at the company's East Pittsburgh, Pa., laboratory. The huge tank, 47 feet high, will hold air under a pressure of 120 lb. to the square inch, providing insulation for the five-million-volt atom cracking equipment.

ask them. Which is in decided contrast to what Fenner & Beane—a rival in size—has done. Not only does F&B render investment counsel for a fee, but it has a securities advisory department which, for a fair degree of commission turnover, surveys customers' holdings and makes recommendations. As a third division, F&B offers the usual statistical service, which is tantamount to a question-and-answer department.

Expect More Now

Today, customers expect more and more service. Not only investment advice, but help in making out income tax returns or maintaining custody of securities. Yet commissions have been moving steadily lower. The average commission per share was 14¢ in 1924; after the increase in rates, the average glided up to 20.2¢ in 1929. Then, because of declining prices and numerous split-ups, the average dropped sharply to a low of 11.8¢ in 1933, when it gradually rose to 12.6¢ in 1936 (see chart, page 39). By March of this year it had risen to 13.6¢. One of the last acts of Richard Whitney, as president of the Stock Exchange, was to appoint a special committee on commissions, in January, 1935. The matter is still under consideration. But agitation for higher tariffs grows.

Into this picture of more and more service enters the Securities and Exchange Commission. How will it view the *debouchement* of brokers into the investment advisory field? The SEC has developed a fetish of purity. Its thesis is that no man can serve well two masters. Its attitude toward investment trusts sponsored by banking firms or brokers has been made fairly clear; likewise its disapproval of dual interests in handling corporate fiduciary responsibilities. Therefore, may not the SEC offer a captious thought or two to brokers who advise clients what and when to buy and sell and, at the same time, profit from commissions resulting from those very purchases and sales?

Moreover, where does the brokerage business go from here? If the trend is toward more intensive research, then the brokers will become more or less statistical and analytical organizations—perhaps with commission business as a sideline. Or there may develop two types of brokers: one with the chief emphasis on investment advice; the other deriving its main income from commissions.

The whole thing is still up in the air. And in the financial district itself, conflicts are developing. Banks are giving investment advice; investment counsel are doing it; now brokers are moving in. This new competition cannot be regarded by the old-liners as entirely propitious. So brokers are on

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Toledo Associates

RECORD STURGEON—Commercial fisheries on Lake Erie have been enjoying a big season, and with advancing prices. Record catch of the year is the 106-lb. sturgeon above. The fish yielded 40 lb. of roe, with a market value of \$2 a pound.

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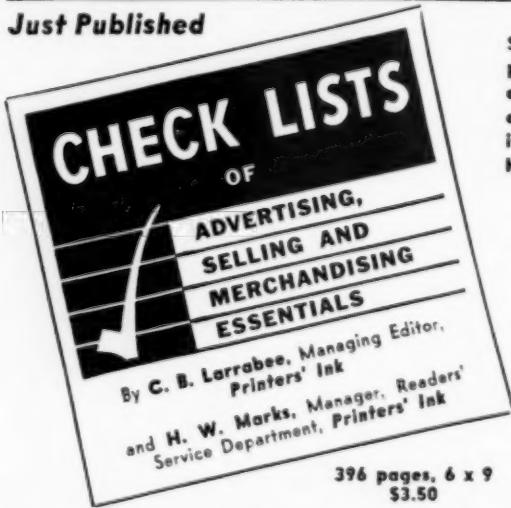
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Wide World

STREAMLINING MADE VISIBLE—An exhibit at the "Electro-Magic" show at Franklin Institute, Philadelphia, shows how air slips by a streamlined automobile.

the horns of a dilemma. They may offend investment counsel and banking friends; they may invoke the criticism that their investment advice must be tinted by the desire for commission business.

Indeed, C. D. Barney, a precursor in the field, unostentatiously withdrew on May 15. Mr. Barrett, the partner in charge of investment supervision, resigned from the firm and formed Barrett Associates, Inc. There were several reasons for corporate segregation: (1) some persons thought the investment counsel division might be tempted to overtrade accounts, for the brokerage it would bring; (2) the firm, under its contract with clients, refused to advise on securities in which it had an underwriting or trading interest, and this limited the service; (3) the 1% fee was deemed low, but increasing it might offend valued brokerage accounts.

Which doesn't prove that investment supervision as an adjunct of brokerage is bad or good. But it does prove that it brings its own intrinsic problems.

May Wholesale Research

Nor can brokers just plunge into investment supervision without preparation. Statistical organizations do not spring up overnight. Some may go out and buy research facilities, and at least one investment counsel organization is willing to sell its findings to brokers. And one New York Stock Exchange firm, Mackubin, Legg & Co., of Baltimore, has been letting other firms have its research for a fee. Two of these buyers are Fahnestock & Co. and H. C. Wainwright, who use the Mackubin, Legg facilities to supplement their own research. So there may be still a further development: brokers selling research to other brokers, and investment counsel doing likewise.

But whatever happens, the trend seems fairly clear. Trading is low and

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NATURE NOW CAN TAKE A REST



Because du Pont chemists have developed a new plastic material with all the clarity of nature's own crystal-clear quartz—"Lucite" methyl methacrylate resin*

THE picture shows you a piece of "Lucite" fashioned to resemble a natural jagged lump of unpolished quartz crystal. Nature has spent thousands of years making quartz. Men must spend many days to cut and polish articles from it.

Now comes "Lucite"—clear as nature's product; transparent, brilliant, light in weight, yet tough and strong—and the whole process of making it and producing articles from it is a matter of hours only.

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opaque colors. By injection or compression molding an unlimited variety of products can be made from it. It's the newest thing in plastics.

Plastics are all about you today, giving you hundreds of articles that were formerly made of such materials as metal, glass, rubber, wood, bone and pearl. Fountain pens, automobile steering wheels, slide fasteners, scuffless heel coverings, radio cabinets, even piano cases, are some things made of du Pont Plastics.

Some articles need one type of plastic, others another, to meet require-

ments for hardness, workability, application and price. Du Pont supplies six plastics to cover a large range of various requirements.

Almost every manufacturer is a potential customer for plastics. Our technical men are available to discuss the possibilities of the use of plastics in your business or industry. There may be—there undoubtedly is, some way in which plastics can profitably be used in your business or industry. Why not bring your problems to us? E. I. du Pont de Nemours & Co., Plastics Dept., Industrial Division, Arlington, N. J.

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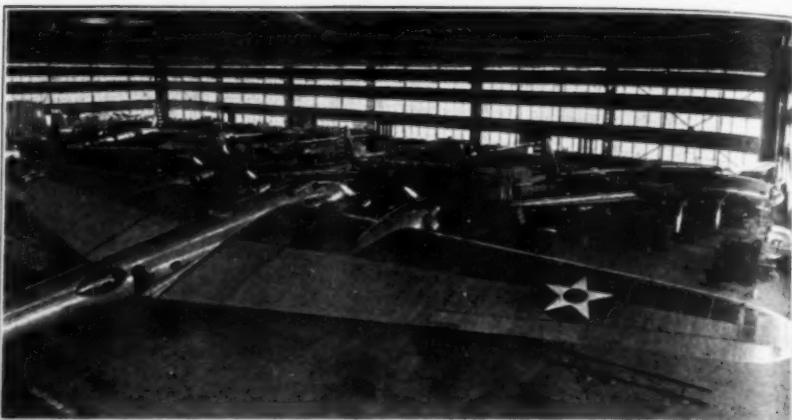


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DEFENSE GIANTS BUILDING—A glimpse inside Boeing Aircraft's Seattle plant, showing a group of the Army Air Corps' 4-engine "Flying Fortresses" being assembled, and in the foreground, the "Big Brother" of them all—the new ZB-15 Bomber. Note how the new ship dwarfs even the 16-ton "Flying Fortresses."

so are commissions. Brokers must do something to get along. One firm, Ladenburg, Thalmann & Co., has started to weed out unprofitable business. After July 1 it will not carry margin accounts with debit balances of less than \$25,000—which means it will handle only large accounts. Further, on cash accounts, when the firm acts as custodian of securities, Ladenburg, Thalmann expects commissions of \$120 a year. If a custody account grosses commissions of only \$80, the firm will tack on a service charge of \$40.

Objective of Ladenburg, Thalmann was to cut overhead; or, to put it differently, to make customers pay for what they get. And that cuts to the heart of the Wall Street problem. Some brokers, to keep their business or get new business, are rendering investment supervision free. Others charge a fee for it. Ultimately, will the non-fee-ers ask higher commissions or decide to charge for investment supervision? or will those now charging, render investment advice for nothing? About all that can be done is to raise the question. But one thing seems fairly certain. The special committee on commissions will be forced—by popular demand—to make a report.

be discounted, of course, as an indeterminate large number of trucks carry safety equipment conforming to the new requirements. According to the Bureau of Motor Carriers, however, many operators outside of its jurisdiction voluntarily are equipping their vehicles to conform with federal standards.

States Follow Federal Lead

There has been some complaint from operators about the cost involved, but tending to offset the initial expense is the benefit gained from standardization and improvements that have been brought about in safety equipment and the trend to uniformity in requirements as to use. Many state authorities are adopting, either in whole or in large part, the ICC regulations. The action of the California legislature is referred to as typical. The state law approved May 8 provides that "no person shall be prosecuted for a violation of this code if such violation was required by a law of the federal government or a regulation promulgated pursuant to law by the Interstate Commerce Commission." The state commission has adopted new safety regulations, effective May 23, embodying several of the ICC provisions.

The bureau's regulations leave the door open to future changes that may be warranted by research and experience. The present regulations will require the use of windshield defrosters and chains in Northern states, fire extinguishers, first aid kits, flares, fuses, lights, reflectors, and directional signals of a prescribed pattern or standard.

Reports received by the ICC indicate that manufacturers, while behindhand in some instances, as a whole will be able to meet the requirements of the carriers on the effective date, or before. Delays are due in most cases to the failure of carriers to place orders promptly so that manufacturers can estimate the demand intelligently.

JUNE 12, 1937

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Hayden Bank Merges

Equitable Trust goes to Manufacturers, in one of few important consolidations since '33.

WITH the absorption of the Equitable Trust Co. this week, the Manufacturers Trust Co., of New York, completed one of the few important bank mergers since the post-holiday cleanup in 1933. The transaction marked the end of a financial institution which has been more or less prominent in New York for 66 years, and it constituted a major step in settling the estate of the late Charles Hayden of Hayden, Stone & Co.

This was the second time in almost exactly seven years that the name of the Equitable had figured in a sizable banking consolidation. On June 2, 1930, the \$900,000,000 Equitable Trust went into the Chase National Bank and the latter's resources mounted to approximately \$1 billion. Also into the Chase with that merger went Winthrop Williams Aldrich, lawyer, banker, brother-in-law of John D. Rockefeller, Jr., and the man who has been chief executive officer of the Chase ever since the Senate's Pecora-guided banking investigation sent Albert H. Wiggin into retirement at the start of 1933.

Chase to Hayden

The Chase merger looked like the last of the Equitable. However, some of the Equitable's business which didn't fit precisely into the Chase's trust department was segregated under the old name. In 1934 the Equitable, with resources of about \$17,000,000, was sold by a Chase affiliate to a group headed by Mr. Hayden.

Thus it is hardly the Equitable of 1929 that has been acquired by the aggressive Manufacturers Trust. Neither is it the \$17,000,000 institution that



Harris & Ewing

BUYS TRUST COMPANY—When Harvey D. Gibson, president of New York's Manufacturers Trust, bought the Equitable Trust this week he paid between \$15,000,000 and \$20,000,000.

the Hayden interests bought in 1934. For Mr. Hayden built it up to a \$57,000,000 trust company in three years, boosting capital, surplus, and undivided profits from a little over \$5,000,000 to more than \$15,000,000.

While under Hayden auspices, the Equitable took on a good bit of business of corporations in which Mr. Hayden and his New York Stock Exchange house had an interest. Onto the Equitable's board went several representatives of these corporations, and four of them were carried over this week into the Manufacturers' directorate to fill vacancies. These four are Edwin M. Allen, president of Mathieson Alkali Works; Charles L. Hogan, president of Lone Star (formerly International) Cement Co.; Alfred J. Kieckhofer, president of National Enameling & Stamping Co., and George H. Niedringhaus, president of the Granite City Steel Co.

Behind the Pattern

Acquisition of the Equitable fits into the Manufacturers Trust pattern. Harvey Dow Gibson, a banker since 1912 and chief of the Manufacturers since 1931, is credited with being a go-getter. He is, reputedly, solely responsible for the bank's buying government bonds of relatively distant maturity in the darkest days of the depression on the theory that if the credit of the government isn't good, nothing is. To him also is credited the automobile caravan of junior officers who toured the country to build an imposing correspondent-bank business.

During his tenure the Manufacturers has launched into personal loans and instalment financing of industry's heavy equipment, has set up an investment service for correspondents, and has expanded its branches in New York City when many of the big banks were eliminating outlying offices.

Fights Branch Banking

OPPOSITION to extension of branch banking by national banks crystallized this week when the American Bankers Association (composed of both branch and unit bankers) came out against the McAdoo bills (*BW*—May 29 '37, p60). The A.B.A. compromised the fight within its ranks in 1935 by approving the principle of the present law which permits national banks to operate branches within those states that permit state banks to do so. The official A.B.A. stand, announced by its president, Tom K. Smith, followed opposition to the McAdoo bills by Rep. Wright Patman of Texas, a member of the House banking and currency committee. Patman's stand was regarded as significant because most branch banking bills have died in the House committee, which is headed by Henry B. Steagall of Alabama.



YET MANY a business man expects a time stamp containing a clock mechanism to keep reliable time under the constant pounding of some office boy's husky fist. No clock mechanism, however sturdy, is proof against such hammering. Yet a time stamp must keep time accurately—always!

Stromberg Automatic Time Stamps can "take it" because they have no clock mechanism to get out of order. They require no winding, no regulation, practically no attention of any kind. Simply plug them into any A.C. socket (or connect them to a Western Union or master clock), set the time, and they start clicking—and keep it up under years of hardest wear—accurate to the second.

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Nothing takes tougher punishment than that 24-hour-a-day servant, the telephone. But hard, breakage-resistant Durez assures long life for the instrument and provides a lustrous, attractive, permanent finish. Base, handle and other fittings are molded complete in one operation, with wear-proof lustre automatically produced.

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Compact, light in weight, and pleasant to the touch... the molded Durez case on the Packard Lektro-Shaver adds greatly to the popularity of the unit. The motor and wire connections can be molded right into the self-insulating Durez. The final finish is produced in the molding operation.

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Molded Durez packages make Hickok studs look like a collection of precious jewels. Durez boxes cost little more than conventional packages... yet have a far richer appearance. Their permanence and pleasant "feel" will swing many a sale your way.

DUREZ is a hot-molded plastic, simultaneously formed and finished in steel dies. Strong, lighter than any metal, non-metallic, heat-resistant, and chemically inert, its finish can't rust or wear. There are 307 Durez compounds, each with a specific use. When you consider molded plastics, let our technicians specify the proper compound for the job. Write (telling us what you make) for monthly "Durez News." General Plastics, Incorporated, 116 Walk Road, North Tonawanda, New York.

DUREZ

New Products—New processes, new designs; new applications of old materials and ideas.

Bus and truck operators call one of their most pungent problems "gassing"; pedestrians and passengers frequently call upon more picturesque vocabularies to describe it. Locke Mfg. Co., Bridgeport, Conn., prepares to do something about it with the Messinger Valve for connection on the engine's intake manifold. When the operator removes his foot from the throttle, the valve automatically admits pure air to the engine until it "revs" down to idling speed. Thus is bypassed the critical period during which most of the foul gases are produced.

NEWEST spring shade in typewriter ribbons is aluminum. Phillips Process Co., Rochester, N. Y., will make them in sizes and types to fit most standard typewriters. Preparers of formal proposals and informal presentations will find aluminum useful for identifying blueprints and adding an unusual touch to dark covers.

"SELF-PEELING Frankfurts," as produced by Colonial Provision Co., Boston, look like any well bred hot dogs, but aren't. They have almost imperceptible perforations down their plump sides which pop open during cooking.

WHAT company does not have at least one newspaper clipping as an important item in its archives? What clipper of newspapers has not found that newsprint disintegrates in a very few years? To preserve his own library of newspapers and original documents covering the World War, Dr. Joseph Broadman developed a paper preservation process which is now being made available to all comers through Broadman Library, 110 W. 42nd St., New York.

FREQUENTLY in installing fire doors or other heat-operated safety devices, it has been necessary to assemble a gang of ordinary solder-type fusible links to support the load. Now comes Grinnell Co., Providence, R. I., with its new "Quartzoid Link" which will support a weight of 150 lb., yet will release promptly at its rated temperature. The business part of the device is the same non-corrodible, quick-acting bulb which has done yeoman service in Grinnell sprinkler heads.

THERE are times in the operation of almost any project when a completely automatic, self-contained source of high-pressure steam becomes an indispensable auxiliary. Steam Motors, Inc., Hunt St. at Galen, Newton, Mass., is

going after this wellnigh open field of business with three models of oil-burning steam generators having evaporative capacities of 500, 800, and 1200 lb. of water per hr. Operating pressures range from 50 to 1000 lb. per sq. in. Superheat may be supplied up to a total of 850 deg. F.

LIGHT sleepers, whose slumbers are interrupted by dump trucks banging on their way to work, will do well to inform contractors and other large fleet owners of the Kyle Truck Body Hoist now going into quantity production at Kyle Sales Co., Decatur, Ill. Important feature to the light sleeper is that when the hoist is not in use, the truck



body is locked as securely in place as if it were clamped down with U-bolts. Important feature to the user is that the hoisting action is accomplished through a power take-off from the truck transmission actuating segmented jacks which lock into rigid struts.

LOGICAL next step in air conditioning bears the registered name, "Air Conditioning Soap." Those who wash their faces with it on a hot day find themselves mysteriously cooled and refreshed; those who start the day with an air conditioning bath find that it closes the pores, besides cooling, and thus reduces any tendency to common colds. Though it contains no alcohol, the soap imparts a feeling similar to that following an alcohol rub. Air conditioning Tex., Inc., 1441 Broadway, New York, expects to market it as a year-around proposition.

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Mattress Money

Sealy uses Nukraft in its product, and the result is a big spurt in its business.

CHANGING time-honored recipes for mattress-making has resulted in a new product which is said to be already drawing the curiosity of people—and their approval when they have seen and tested it, although there won't be much advertising addressed to consumers till fall. Manufacturer of the new mattress is Sealy, Inc., a national organization centered at Pittsburgh. The innovation is the use of Nukraft, an upholstering fabric or spring decking of latex-coated hair, which has been developed and patented by the B. F. Goodrich Co.

From Eight Units to 25

Within the past year the Sealy organization has grown from eight to 25 manufacturing and merchandising units. The advantages, actual or prospective, of Nukraft are said to be largely at the bottom of the sudden expansion. Sealy has the exclusive right to use Nukraft in mattresses. One after another, mattress manufacturers have become associated with Sealy under a setup which, while leaving local management unchanged, introduces Sealy methods of manufacture, including, of course, the use of Nukraft for upper-grade mattresses. Advertising in consumer and trade publications will mainly feature the Sealy Rest Mattress, cushioned with Nukraft and regularly selling at retail for \$44.50.

Nukraft is constructed of sterilized hair—pig's bristles, though not so advertised—coated with latex and specially vulcanized. Its makers emphasize that it is light, springy, strong, and durable. In mattresses it cuts down weight by displacing heavier padding material cushioning the steel coils of the inner-spring unit. Furthermore, while a layer of cotton felt, thinner than in other mattress types, is still used, no tufting is needed, since Nukraft's texture prevents creeping between layers. (Incidentally, the first tuftless mattress was made over 50 years ago in Texas by a Sealy-patented air-weaving process.)

Orders from Brazil

Recently at an Atlantic City hotel exposition aimed at home owners and hotel managers, about 5,000 people saw the new type Nukraft-cushioned Sealy mattresses. Some arranged on the spot for deliveries through home dealers, and one visitor ordered four shipped to his home in Bahia, Brazil.

Nukraft has largely contributed to creating new interest in the entire line of Sealy mattresses. Sealy officials are looking forward to seeing how many of those containing Nukraft there will

Kimpak CREPE WADDING PROTECTS AMERICA'S "BEST SELLERS" AGAINST SHIPPING DAMAGE

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KIMPAK is the economical modern packing material that comes in sizes and thicknesses to protect every type of merchandise. KIMPAK is clean, snowy-white, light, absorbent, flexible, and as easy to use as a piece of string. To learn how KIMPAK can solve your shipping problems, just write us for free portfolio of samples. Please address nearest office on your letterhead.



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The Carborundum Company uses KIMPAK, pictured above, to protect its display file from shipping damage to itself and other boxed files.

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P. R. Mallory & Co. made the acquaintance of many of its present customers in the automotive, radio, electrical and other industries as a result of a "development stalemate". By putting two heads together Mallory products and Mallory engineering advice have supplied the "piece" that turned a "draw" into a "win".

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be among the million or so of all types of Sealy mattresses that will probably be bought within the next 12 months.

Nukraft is used for cushioning not only mattresses, but also taxi, bus, street car, and theater seats, as well as furniture.

Analyze All Housing

Clevelanders check up on every house and lot in county. Facilities nearly filled up.

ANOTHER instalment of Cleveland's self-analysis comprised in the Real Property Inventory is out (*BW—Oct 5 '35, p12; May 2 '36, p37*). The report just issued for 1936 covers every house, building, lot, and family movement in the metropolitan district for the fifth year, and it proves that Clevelanders are filling their housing facilities, good or bad, pretty close to the brim and that a considerable number of them need new quarters.

In fact, all the vacant family residential units would disappear if the extra families doubling up with friends and relatives should move out to homes of their own. Moreover, much of the housing to which they would move is substandard.

Of the 317,582 family units in the

Cleveland metropolitan district, 98% were occupied in October, leaving vacant 6,820, equivalent to the strikingly subnormal percentage of 2.1. The vacant properties in general consisted of those unfit for habitation, held for sale, or, at the time of investigation, unoccupied in the interval between moving out and moving in. The vacancy percentage, declining in each of the past few years without exception, was 9 in October, 1932; 7.4 in 1933; 4.7 in 1934, and 3.1 in 1935.

In the five-city area (which is somewhat smaller than the metropolitan district and includes Cleveland, Lakewood, Cleveland Heights, East Cleveland, and Shaker Heights) the greatest vacancy ratios were in the two extremes—the cheapest and the most expensive properties. The construction of new units not yet occupied accounted for the ratio in the highest economic group, and the large proportion of undesirable dwellings, in the lowest.

Better Homes Needed

"The fact that a large portion of the vacant quarters are in the poorer sections does not mean that we have an abundance of low-priced homes," Raymond T. Cragin, inventory chairman, points out. "To the careful student it indicates that many families live in properties unfit for occupancy, and thus indicates a need for new construction in less expensive dwellings." However, the bulk of the 1936 building was in the higher price brackets.

Family units provided by new construction in the five-cities area amounted to 1,020, far above the record low of only 138 in 1934. But even the 1936 activity was puny, about 8% of the 12,100 units built in 1924.

In contrast with the experience of the country as a whole, the total of properties foreclosed and sold by the sheriff in metropolitan Cleveland was the highest in the past 10 years, except 1930. There were variations according to type of property and locality. Last year saw more dwellings foreclosed and sold than in any other year during the depression period.

Fewer Office Vacancies

The vacancy ratio for offices, like that for residential property, has contracted in the past few years. In the 466 office buildings of metropolitan Cleveland, 22% of the 18,368 units were vacant in October, against 28% in 1935, 29% in 1934, 31% in 1933. Unoccupied store units had a ratio of 12 in 100, against 13 in 1935 and 1934, and 15 in 1933.

The Real Property Inventory for 1936, directed by Howard Whipple Green, gives data for the first time not only on the metropolitan district but also on the whole of Cuyahoga County.

"We had used many different turret lathes for years. Comparing maintenance costs, we found Warner & Swaseys by all odds the lowest. Simplicity of design was one reason. So we standardized on Warner & Swasey Turret Lathes, and our costs have been among the lowest in our industry ever since." Production Manager, Nationally famous unit of automotive industry.

For definite facts to show how W & S Turret Lathes could reduce costs and so add to your net profit, write

WARNER & SWASEY
Turret Lathes
Cleveland



All Transit Gains

When number of street cars goes down, the rest carry more than whole system did.

BOB RIPLEY probably hasn't found out about it, but there's a "Believe It or Not" story in city transportation. When street railway companies increase number of buses and cut down number of street cars, passenger totals go up for both kinds of transportation.

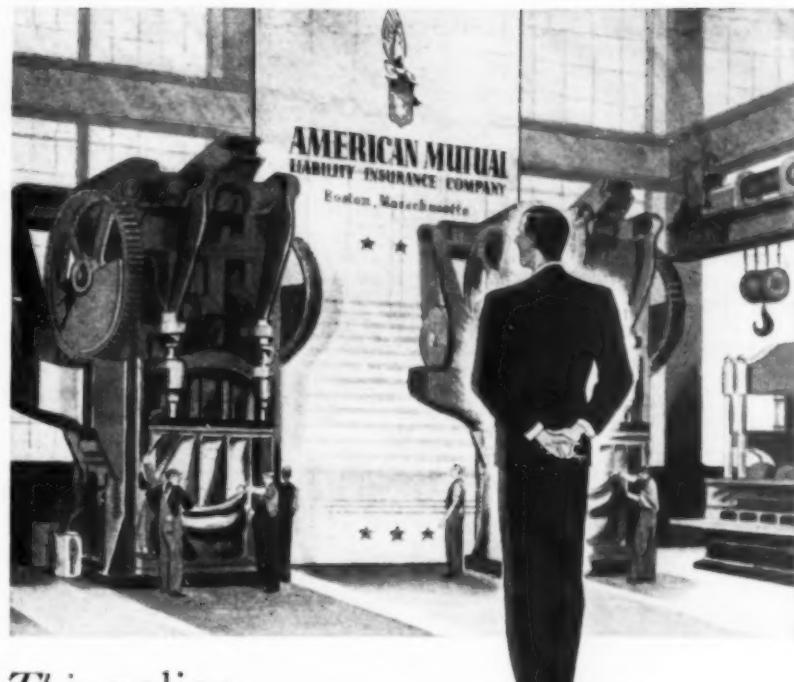
It sounds queer, but the remaining street-car lines actually carry more fare-payers than the total system did before the buses were added. And of course the buses usually carry more passengers than the old lines which motor vehicles replaced. It's an efficiency move, all the way 'round.

When the 1936 record was spread by *Transit Journal* in January, the average man found it hard to believe. There were the charts for electric surface cars, subways and elevateds, and motor buses and trolley buses—all of them going up. It looked too good to be true, but reports coming in from various cities show the trend for the first half of 1937 is the same. Most recent is the Memphis summary, which shows more than a million passengers gained by the street-cars during the year ending Apr. 30, over the preceding year, in spite of the removal of the Faxon and Lane lines. The buses added more than 5,000,000 passengers, so that the net gain was 6,960,338 fares.



Business Week

RACE WITH TIME—The new bronze clock over the entrance of Seagram House, Toronto, dutifully tells time, but it's no commonplace clock. It has 3 sets of chimes whose volume can be increased by day, lessened at night. Best of all, there's a horse race every 15 minutes. Four electrical horses dash 54 feet around the track, and the winner is registered by a light on the official board.



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The safety service provided with American Mutual workmen's compensation insurance can be a means of increasing production profits.

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For a booklet on this lowest-net-cost protection, write American Mutual Liability Insurance Company, Dept. 28, 142 Berkeley St., Boston, Mass. requesting "How Twelve Companies Saved More Than A Million Dollars."

*Admitted Assets: \$29,786,487.87 Liabilities: \$24,777,652.84
Surplus to Policyholders: \$5,008,835.03 As of Dec. 31, 1936*

Savings on automobile insurance, public liability and other lines have been 20% or more each year—even greater savings on fire insurance, written by our associate, Allied American Mutual Fire Insurance Company.

1887—FIFTIETH ANNIVERSARY—1937



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BRANCHES IN 53 OF THE COUNTRY'S PRINCIPAL CITIES

Tourist Camp Census

Government report shows number of camps, where situated, and amount of receipts.

CANVASSERS of the Census of Business (BW—May 15 '37, p50) have toured the tourist camps, and a summary of what they found has just been issued by the United States Census Bureau. The report defines tourist camps as "places engaged primarily in furnishing temporary lodging accommodations to tourists in cabins or other similar structures, or in furnishing camping space and other camping facilities to tourists for a fee." Thus it cuts out hotels, tourist homes, and "cottage colonies."

The 2,034 camps which conducted a filling station business along with their other activities reported to the census average total receipts for 1935 of \$4,836 per camp, or two to three times as much as the receipts of \$1,851 per camp reported by 7,814 camps without filling stations.

Similarly the camps with filling sta-

tions enjoyed greater average receipts than the others per person engaged in the business (except proprietors' families). On the other hand, the average cash earnings per employee in both types of camps were pretty even—\$467 for camps with filling stations, \$400 for those without them.

The report showed that the tourist camp business is markedly seasonal. Camps of both types in the country as a whole were employing precisely 4,000 people in January, 1935. By the following August the help had more than doubled to 8,626. Employment seems to have tended slightly upward for all 1935, apart from the summer bulge.

California (of all the states) had the most tourist camps in 1935, with a total of 1,440 of both types taking in \$4,951,000. Average number of employees, full time and part time, was 751, and total payroll \$434,000. California, plus Texas, Colorado, and Minnesota, accounted for over a third of the country's tourist camps without filling stations and for over a quarter of the camps with them.



International

CHANGE OF HEART—Jacques Doriot, former leader of the French Communists, abandoned the party two years ago to launch a new French Popular party which is opposed to the present coalition government. Doriot has made repeated bitter attacks on the Communists, which he claims are supporting the Blum government only to conceal their real designs to overthrow the present system in France. The Communists are blamed for creating the sitdown technique in strikes.

Seek Hawaiian Trade

Pacific Northwest wants to get some of the orders now going to California.

PACIFIC NORTHWEST industry plans to do more business with Hawaii. In an effort to cultivate the opportunities offered by trade with the islands (BW—Mar 29 '37, p45) business leaders of Washington, Oregon, Idaho, and Montana have formed the Northwest Shippers Association and drawn up an aggressive program.

Opening gun is a resolution addressed to the secretary of war and members of Congress urging that government bids on merchandise for the army and navy in Hawaii no longer specify exclusively on an f.o.b. basis from San Francisco, as is now done, but include Portland, Seattle, and Tacoma also.

While increased trade with the islands is an immediate object, the Northwest Shippers plan to promote commerce by land and water to other markets as well, and to get faster transportation of their products.

W. C. Bickford, general manager of the Port of Seattle, is president of the new group, with C. S. Connolly vice-president and Fred C. Ferree secretary-treasurer.

BREEZES FOR BUSINESS

For stuffy offices, for stifling workrooms, for breathless stores and restaurants, there's a new, easy, inexpensive way to improve air conditions—a new kind of fan that is more than a fan. The R & M Air Circulator! With its patented R & M blade-tip, it moves 6600 to 10,000 cubic feet of air per minute, depending on size—as much as a dozen ordinary fans. It doesn't merely blow a local breeze; it changes the air—and the tempers of customers or employees! . . . There are three sizes—20, 24, and 30 inches, in floor, bench, wall or ceiling models, priced at \$40.00 and up. Ask your dealer about the big R & M Air Circulators. . . . Robbins & Myers, Springfield, Ohio; Brantford, Ont.

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French Labor Law

New program may extend controls over hiring and firing but general standards trail ours.

PARIS (Special Correspondence)—France developed the sitdown technique in strikes and, last year, adopted compulsory arbitration, but otherwise has been something of a follower of labor developments in the United States.

This was evident last week when the Chamber of Deputies heard an appeal from the Left wing to place hiring and firing under the supervision of commissions composed equally of employers and workers. The government side-tracked the proposal with the promise that the question would soon be made the subject of a special bill. From a study of even the most extreme of the Blum labor laws, it is doubtful if the new controls will vary greatly from the non-discriminatory provisions of the American Wagner Act.

Year of Change

French labor legislation has been drastically changed in the last year. When the Blum government came to office, the country was gripped by a series of strikes which, it was claimed, had been instituted by Left wing extremists. Premier Blum maintained the backing of the Communists and the more radical Socialists only by promising drastic labor reform legislation; on the other hand, the moderates threatened to withdraw if the Communists pushed their least responsible demands too far.

Outcome of the struggle—among other regulatory measures—was the Arbitration act which was passed in parliament at the end of last year. It provided for compulsory arbitration in case of labor difficulties before a board of two representing both labor and employers. If these two fail to come to terms, the government appoints its own representative, whose decision is final and immediately enforceable. This more or less makes strikes illegal, except that both sides have refused to close the case after such a decision if they feel they have a real grievance, and have simply waited a short time and again raised the issue.

Effect on Business

French business reaction to the legislation varies. Working conditions in most French factories do not compare favorably with those in the United States. American executives visiting this country are the first to point this out, and the more aggressive French leaders admit it. American managers of French branches which have been laid out on the American plan and equipped from the United States have found it possible to comply with most of the new French regulations without many



Modern lighting on New York Central's streamline "Mercury."

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Modern lighting has taken its place with streamlining and air-conditioning as a traffic builder for modern railroads.

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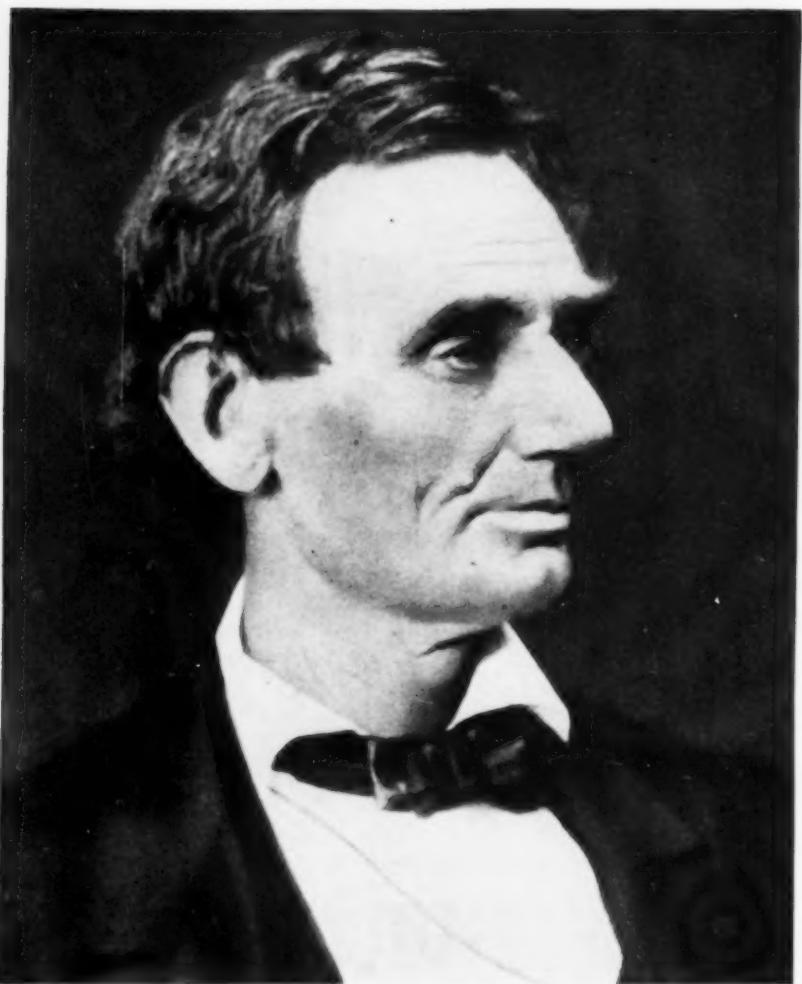
This is typical of a trend which is sweeping over the world of business. More and more commercial establishments recognize the human side of lighting. Retail stores are modernizing lighting to attract customers and make the selection of merchandise easier. Offices are relighting to reduce eyestrain and thus secure faster, more accurate work with less expenditure of human effort.

For practical suggestions on store or office lighting, consult your local lighting company, or write to Dept. 166BW, General Electric Co., Nela Park, Cleveland, Ohio.



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radical changes. And most of the large French industries maintain higher standards and more acceptable hours and wages than the multitude of little manufacturers.

A canvass of the large employers with headquarters in Paris indicates that most of them are working aggressively on plans to develop closer relations with labor in an effort to settle problems before they reach the compulsory arbitration stage. And a number of these employers report decisions by the government arbitrator favorable to them.

But in the case of the multitude of small industries in France, the situation is not so favorable. Costs of the new labor legislation—in shorter hours, higher wages, and vacations with pay—are more than many of the managers are able to meet. In some cases, they have been able to convince both the workers and the government arbitrator that the changes have come too precipitately for them to make the necessary financial adjustments at once. In other cases, gross inefficiency is blamed and the owner is shown no mercy.

No new wave of extremism is expected in France, but there is no indication that any of the labor laws passed last year will be withdrawn. Bills like the anticipated regulation of hiring and firing of labor can be expected, to make permanent the spirit of some of the legislation passed last year which was only temporary. But France is not likely to provide an example to the United States, for it has not yet caught up to the standards set in the United States.

Fruit Across Europe

New company will use cool containers to carry fruit from Southeast to Britain.

LONDON (Special Correspondence)—Southeastern Europe raises some of the finest fruit in Europe. The British eat far more fruit than they can grow at home. Modern refrigeration is behind a new project for bringing Hungarian fruit to the British market.

Imperial Chemical Industries, Ltd., has developed a special container cooled by dry ice for the shipment of fresh fruit. Last week, in collaboration with the British and Hungarian Bank of Budapest, in which the British Overseas Bank holds a substantial interest, Imperial set up a company to be called Hungaria Container Traffic and Refrigerating Industry, Ltd., which will sponsor the shipment of poultry and such fruits as strawberries, grapes, melons, and peaches from Hungary to Britain.

Hungarian strawberries are normally available about six weeks before the British crop and considerably before the Dutch or French crops.

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two to three tons of fruit, are ready for use, and another 50 will be ready soon. The containers are loaded right at the farm, are transported by truck train, ferry, and train, and unloaded only when they reach the market, four or five days after they are picked.

If the experimental shipments from Hungary succeed, the trade is expected to extend to other Balkan countries.

Foreign Trade Boom

Four months' figures show rising exports, but corn, wheat, wool imports make unfavorable balance.

THE growth of foreign trade in the first four months of this year has exceeded the most optimistic expectations. The combined volume of exports and imports already exceeds \$1,500,000,000, which is 33% greater than for the same period last year.

Characteristics which have attracted special attention are the spectacular increase in values, due to higher commodity prices, steady unfavorable balance, and size of agricultural imports.

Soaring wood pulp prices boosted the value of our limited exports this year, though the actual volume was smaller. Cocoa imports were practically the same this year on a volume basis, but the value was almost double the 1936 total.

Though manufactured items made the most spectacular gains in the export list—with iron and steel manufactures almost double what they were a year ago, and with copper exports more than doubled, one of the most encouraging gains was the 21% jump in shipments abroad of raw cotton, always our largest single export item. Foreigners continue to favor our aircraft manufacturers. Planes and parts sold abroad amount to more than \$10,000,000 in the first four months, compared with only \$4,000,000 in the same period last year.

Import figures reveal some interesting trends. As might be expected in the first half of the year, imports exceed exports, but a special significance attaches to the kind of imports which have been bulking large the last few years. Corn imports for the first half almost touched 30,000,000 bu., compared with less than 5,000,000 last year. This is a carryover of the drought situation. Argentina is the principal benefactor. Wheat imports were down, indicating the improvement in the outlook in the farming states. But wool imports jumped from 92,000,000 lb. in 1936, to 180,000,000 this year, indicating the continued improvement in buying power. New Zealand, Australia, Uruguay, and Argentina picked up most of the wool business, which in value increased from \$19,000,000 to \$52,000,000.



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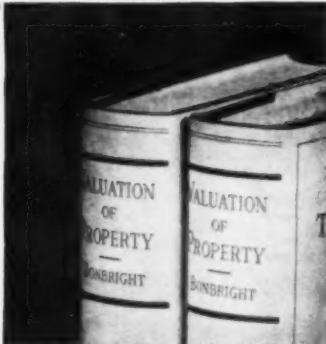
Part II takes up the various methods of valuation that are applied by appraisers and the courts, with separate chapters on the actual sales, original cost, replacement cost, depreciation,

Scrap Export Group

Three companies organize foreign selling organization to stabilize the industry.

THE organization last week of Scrap Export Associates of America, a Webb-Pomerene organization for group selling abroad of scrap iron and steel, raises some interesting questions.

During 1934-1935, and 1936, United States exports of iron and steel scrap made spectacular gains, and gave to a good many laymen the false impression that an important part of our scrap was being sold to foreigners. Actually, in 1935, about 5% of our scrap was sold



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and capitalized income, as measures of value.

Part III treats of the special principles of valuation that are accepted by the courts in different fields of law.

The book explains existing precedents and in many cases presents Professor Bonbright's opinion on their merits pertinently and sharply.

The concluding chapter, in addition to summarizing outstanding points of the treatise, brings the study of valuation cases to bear on that much disputed issue of "functionalism" versus "conceptualism" in legal thinking.

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broad. It rose last year to about 8%, but is back to about 5% now.

The foreign demand for scrap which reached such a pitch in 1935 came largely from Japan and Italy. Both were using it for munitions, but Japan also wanted rails and factory equipment for Manchukuo.

By 1935, domestic demand for scrap iron began to increase rapidly. It was only natural that prices should soar during the next two years. And by the fall of 1936, Europe was either bidding for scrap for huge armament programs, or was publicly committed to these programs; so consumers rushed to buy.

Japan Out of Market

Within the last few months iron and steel scrap prices have declined gradually. Japan dropped out of the market, evidently because it became more profitable to buy pig iron or finished steels. So far this year Japan has bought more pig iron from us than we sold to foreigners for the last six years. The Nipponese have bought 420,000 tons of pig iron here this year, in addition to 140,000 tons of semi-finished steel products, and 120,000 tons of finished steels.

These facts help to explain the significance of the organization last week of Scrap Export Associates of America. Three of the 12 or 15 important scrap iron exporters have joined together under the provision of the Webb-Pomerene Act which allows them to operate in export sales. The companies involved are not the largest in the business, but they are important. Ostensibly they are going to cooperate so that they can bargain more effectively with the newly formed European iron and steel import cartel. Actually, a number of leaders in the industry have expressed the hope that this group of three might be the nucleus for a much larger group within a year which will set its own high standards of grades, cooperate instead of competing in the chartering of ships, create a central arbitration and adjustment bureau.

Embargo Talk Dies

The same leaders point out that the recent controversy over the exports of scrap, and over an export embargo which was demanded by some domestic customers, might have been avoided had the scrap export group been organized. The tension has already been eased by the price decline of the last few weeks, and by the assurance from the State Department that no embargo is going to be imposed.

The present group is too small to dominate the industry. Each of the three members is simply pledged to consult with the other two on all problems. But if a few more big exporters join, it will help in the future.

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Business Abroad

Markets are firmer following Roosevelt assurance that gold buying policy will not be changed. Soviets outline gold production program for third Five-Year Plan.

THE crisis in Spain, and the renewed gold scare in London, have attracted public attention away from the Imperial Conference in London during what may prove to have been the two most critical weeks in its negotiations. Several comments in the *London Economist* are worth recording:

"Ever since the war, British opinion has urged the United States to play its appointed rôle in world affairs. For an even longer period, Americans have been invited from this side of the Atlantic to benefit the world—and, incidentally, themselves—by reducing their excessive tariffs. Now, when an opportunity occurs to secure not only a reduction in American duties but an approach towards political cooperation of the only kind which it is open to an American President to propose—and to secure these not as a grudging favor but as the result of an American proposal, assiduously pressed—it is hard to believe one's eyes when one sees the British government hesitating."

"Even if, as is likely, an Anglo-American trade agreement covered only a small fraction of Anglo-American trade, the demonstration that barriers could be reduced by mutual consent between the world's two greatest trading nations could not fail to have a profound effect on the whole movement for relaxing restrictions."

Sir Arthur Salter, who favors a change of Britain's system of imperial preference to make possible freer trade with other good customers, summed up his criticism of the Ottawa accords (now five years old):

"I believe it is true that, if we take into account the place which Great Britain occupies in the trade of the world, the size and importance of the British market, and the novelty of the new commercial policies that have been

introduced, and then consider the cumulative effect of imperial preference with the dominions, the new protective system here, the abandonment of the open door, and the establishment of agricultural quotas, it is literally and absolutely true to say that in the last five years, since the depression, the commercial policy of no single country in the world has had so great an effect as has that of our country in restricting and deflecting the trade of the world."

Unless some word comes out of the London meetings in the next week, Washington is likely to provide the next step in a plan for international business recovery. Prime Minister Van Zeeland of Belgium is due here soon for discussions with President Roosevelt. As a semi-official representative also for London and Paris, who have commissioned him to help formulate a plan for cooperative action in Europe, his visit is of importance to business.

Great Britain

Markets more cheerful on Roosevelt assurance on gold program. Government to enforce power rationalization.

LONDON (Cable)—Although the British are still concerned over the possibilities of trouble in Spain, the general tone of the markets this week is much



Witcomb

PRESIDENTIAL TIMBER—Dr. Roberto M. Ortiz, Argentina's able Finance Minister, is expected to be the present government's choice as the presidential successor to Augustin Justo. Because he has been a good financial administrator, has organized his ministry on an efficient and up-to-date basis, he is admired by the business community in Buenos Aires. He is a lawyer, has been president of the internationally-known banking house of Ernesto Tornquist.

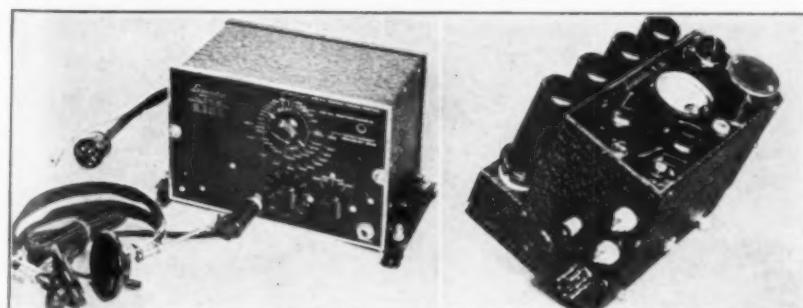
better than last. President Roosevelt's assurance that there would be no change in the United States' gold buying policy is responsible. Gold sales have declined. The demand for South African mining stocks has risen. Market confidence is returning, though international shares are under slight pressure because of the fear of further labor troubles in the United States.

No news concerning the developments in the Imperial Conference meetings has leaked out, but there is a conviction that whatever trade program develops will be closely linked with a gold policy to which France and the United States will be committed, as well as Great Britain.

The formal announcement this week that the government would sponsor a program to rationalize the distribution of electricity in Great Britain caused a considerable stir, though the news has been anticipated for some time.

The scheme outlined by the government is aimed to cut power costs to domestic consumers in numerous areas where they are thought to be excessive, to standardize voltages and type of current, and to reduce the number of competing interests in the field.

The 600-odd existing power companies would be divided into 76 groups. In each group, one member will be



Business Week

MIDGET TWO-WAY RADIO COMMUNICATOR—It weighs only 2½ lbs., is good for receiving and sending within a 300-500 mile radius, and costs only \$500. Lear Developments, Inc., New York, developed it some months ago, has had remarkable success selling it in Alaska where airplanes have become a commonplace for business. The Soviets have shown an interest in Lear's slightly larger set which weighs 35 lbs., sells for \$1,400. After purchasing several hundred sets, Soviet aviation authorities purchased production rights for the Soviet Union.



"DISASTERS OF WAR"—Over 100 years after the famous etchings of this title by the Spanish artist Goya, the Spanish embassy at Washington presents the same subject in its photos and posters on the civil war now raging. Through lectures and other means of propaganda it is giving the governmental viewpoint on the rebellion.

selected to acquire all the others, or a control commission will be set up to enforce certain rationalization plans. Compensation for the dispossessed owners is apparently to be on the basis of appraisal of a government-appointed commission. There will be tremendous opposition from vested interests, but it is doubtful if they will be able to prevent the move for long.

The *London Economist's* index of business activity for April (latest month recorded) was 110, compared with 105 in April, 1935. Building activity is slightly below levels for this period of last year, but almost all other components are well above last year's.

France

Tax boosts likely to be announced next week. Citroen has new low-price diesel car.

PARIS (Wireless)—Conforming with the promises in Blum's recent speech, the administration is preparing a heavy program of tax increases which is expected to be disclosed next week.

Due to the immediate need for funds, the government is believed to be preparing to stress particularly indirect taxation, raising freight, postal, and public utility rates and the prices of matches, tobacco, and petroleum products—all sold under government monopolies. Higher income tax rates in the upper brackets are expected to be proposed, though they are not apt to bring immediate cash.

Finally, it is rumored that government bondholders will again be asked to make sacrifices, with eventually a forced conversion to unify the public debt at a still lower interest rate, the last issues of rentes being excepted.

Jacques Doriot, former Communist leader, and recently removed by the government from his post as mayor of St. Denis, has started a drive to unite

all of the fascist parties under a new banner, which he calls the Liberty Front. It is the first time in years that the conservatives have made a serious effort at cooperative action, and there are doubts now on the part of many business leaders that they will be able to bury their differences and accept the rigid political discipline which is holding the Popular Front together. Premier Blum's position, after a year in office in which he has forced a good many unpopular moves and which has seen a general deterioration of the treasury position, is still strong.

Considerable interest has been aroused in Paris automobile circles by the exhibit at the recent Brussels automobile show of a small passenger car propelled by a semi-diesel engine and manufactured by Citroen. It is a 4-



UNFINISHED MASTERPIECE—French officials ardently hope that the Paris Exposition will draw 50,000,000 visitors and their purchasing power to France in the next six months, though it is said to be attracting at present fewer people than the Colonial Exhibition did in 1931. The buildings which were incomplete at the time of the official opening May 24 will probably be finished by the end of this month.

cylinder car with a maximum of 40 hp. at a normal speed of 3,500 revolutions a minute. The weight is about 10 lb. per hp. At the present price of gasoline in France, this new diesel car would represent about 65% economy on fuel costs.

Germany

Berlin is unperturbed over gold scare. Barter plan with United States progresses.

BERLIN (Cable)—The German attitude toward the recent gold scare is one of aloofness mixed with the malignancy of a gold-isolated country. The press stresses that it is due to the mal-distribution of gold stocks between the "have" and "have not" nations, rather than to absolute gold overproduction. The obvious implication is that a gold loan to replenish Germany's depleted currency reserve would meet the situation better than does the American gold sterilization policy.

The barter of American cotton for German goods under the new plan inaugurated in March (*BW*—Mar 27 '37, p48) is slowly getting under way. Trade estimates put the quantities importable under present conditions at 25,000 bales monthly. This would make possible annual imports of more than 250,000 bales, or roughly one-third of Germany's 1936 consumption of 750,000 bales. If this estimate is correct, the balance must be imported under clearing agreements, or foreign exchange must be allocated for additional purchases of American cotton.

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SCRAPS OF PAPER—But so valuable to Germany that the government is sponsoring a campaign to gather them up for the purpose of manufacturing new paper. This is in line with the general self-sufficiency drive, which exhorts citizens to save their tinfoil and scraps of rubber for the government's industrial program.

Soviet Union

Gold production will soar to new highs in third Five-Year Plan. Industry will push self-sufficiency plans.

Moscow (Cable)—The Soviet Union produced only a little less gold last year than South Africa, long the world's premier producer. Soviet production last year exceeded 10,600,000 ounces, compared with a total of 11,300,000 ounces for the Transvaal.

Schedules for the third Five-Year Plan—which begins next January—are gradually being revealed here, with the gold program disclosed this week. According to Peruchkin, newly appointed head of the gold trust, output between the end of this year and 1942 will be increased 75%. On the basis of last year's output (without allowing for the large gain promised for this year), this would place Soviet gold output in 1942 at more than 18,500,000 ounces, which, at the current value of \$35 an ounce, would be worth nearly \$650,000,000.

Few details about future production are revealed yet beyond the fact that the sharp increase is expected to be achieved by the exploitation of newly discovered deposits which, by the end



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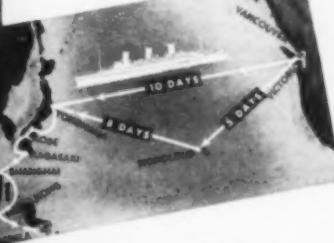
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Merchandising Venture

MOSCOW—The Cafe and Restaurant Trust of Moscow has just created a new service for picnic parties in the city parks and surrounding countryside.

The Trust is putting into operation a number of motorized cafes which will follow picnic parties within reasonable distances from the Red capital. Each of these cafes will carry enough folding chairs and tables, food, paper plates and cups, and other equipment to provide for from 30 to 300 persons. The service, complete with all of the necessary food and equipment, may be ordered by telephone.

of the next Plan, will constitute 20% of total output.

Officials here declare that new gold bearing sand areas in the Lena and Yakutia fields will be producing before the end of the next Plan, but that by the end of 1942, the output from gold ore will account for 60% of Soviet gold. Power stations in the gold fields will double their capacity in the next five years, and labor productivity is expected to increase 2½ times. The new tendency in the gold field is to decrease the number of individual prospectors, and to increase the number of mechanized mines. This is expected to result in the purchase abroad of large quantities of the most modern mining equipment.

Another feature of the third Five-Year Plan will be a drive to make the Soviet Union as self-sufficient as possible. This means that efforts will be concentrated on producing at home those items which have been major items of import during the second Plan, now completed in many divisions

of industry. At the same time, exports of many products—both raw and manufactured—are expected to add vastly to the country's gold reserve.

Canada

Dominion welcomes end of gold scare. Income tax evasions are studied.

OTTAWA—Canadian business quarters, financial circles, investment and speculative interests devote much attention this week to the London action on gold. There is a disposition to regard it as the passing of the "gold scare" and to welcome it especially as sunshine for the gold mining industry. Gold mine securities were immediately considered more secure, firmed on the exchanges.

Generally, the London development is looked upon as encouraging and as removing an obstacle to business buoyancy. Assurance that the British-French-American monetary stabilization agreement would be continued is considered to remove immediately uncertainty from the situation. With less apparent warrant, some financial observers refer to the London price increase as "pegging gold." In some quarters the view is advanced that previous assurances have been purposely vague to encourage the dehoarding of the last two weeks.

The Canadian mining investment market went into a slump two or three months ago in the fear of reduction by the United States in the price of gold. Practically all of Canada's annual production of \$130,000,000 has been sold to the United States through a government agency or under license. Much of it has come from low grade mines brought into operation with the present price and which would not op-



"A VERY HUMBLE PERSON"—So Prince Fumimaro Konoe described himself when he took office as Japanese premier, succeeding Gen. Senjuro Hayashi, who resigned May 31 after the unfavorable elections. In a "fireside talk," in which, as one young Japanese put it, he used "simple language and spoke as if he were your friend," the new premier asked the nation to "join hands as one family to overcome difficulties."

erate profitably at the old price. In Canada, there is a growing conviction, soundly based or not, that the gold situation will not now be disturbed—not, at least, until the question of the proposed British-United States trade pact is disposed of one way or the other.

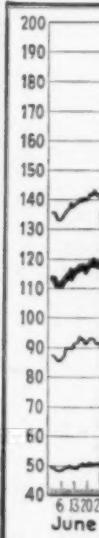
Some attention was given to President Roosevelt's complaint about American citizens evading income tax by incorporating Canadian companies. Canadian income tax officials do not understand that such incorporations save the Americans in taxes. Canadian income taxes generally are at higher levels than United States taxes.

However, Canada does encourage foreigners to incorporate holding companies here by exempting from taxation income of incorporated companies whose business is situated entirely outside this country. The view is held that the principal attraction in Canadian incorporation is the prospect of greater stability in this country. There is no indication that incorporation by Americans here involves investment in Canadian enterprise.

It is not generally known that in proportion to population and national wealth, the investment of Canadians in United States enterprises is larger than that of Americans in Canadian enterprises. And in the last 15 years, Canadian interests have taken over ownership or control of at least 50 manufacturing companies in Canada formerly owned in the United States.



CITY PLANNING IN A PLANNED ECONOMY—In connection with a general program of improvement and reconstruction, Bolshaya Sadovaya Street in Moscow has been widened and asphalted. Tramlines were shifted to parallel streets. The unusual breadth of the reconstructed thoroughfare is shown by the relative size of the motorbuses and automobiles.



Money and the Markets

Financial markets have practically gone to sleep, and business prophets disagree on industrial outlook, obscured by strikes. Loans of Federal Reserve member banks rise, but the gain is mostly in New York.

NOBODY could look to the securities markets this week for insight into the state of the nation. Trading in stocks has fallen away to an irreducible minimum, prices have been coming just as close to sliding sidewise as they ever can, and the financial houses have been falling back on the depression-born devices of layoffs and vacations without pay.

Looking to the business indexes for information was almost equally fruitless because they are all contorted by the labor troubles. So it comes down pretty much to a matter of guesswork, and there are about as many shades of opinion as there are prognosticators.

Bargain Hunters Active

One group will hold that demand for goods is accumulating, like water behind a dike, during this outbreak of strikes; others are convinced that most companies have anticipated inventory requirements and won't be stocking up heavily again until autumn. Some feel that securities will be in the doldrums—or worse—until business takes a definite turn for the better sometime late in the year; fully as many others look over the stock list and find many old-time favorites on the bargain counter in the light of what the optimists think this year's earnings will be.

About the only tangible factor coming to light which is genuinely reassuring is the latest Federal Reserve member bank report on loans. There was a fairly substantial, sustained, and unusual-for-this-time-of-year rise in business borrowings throughout May and during the first few days of this month.

Even these loan figures, though,

The Steamy Side

Holders of New York Steam Corp. preferred stocks have had a wild time the last week or so. Ten days ago the dividends were passed (*BW*—Jun 5 '37, p 56) and prices cracked about 25 points to a low of 85 on the 7% preferred and 75 $\frac{1}{2}$ on the 6%. Then they rallied about 20 points each on the knowledge that Consolidated Edison of New York was preparing to absorb its steam affiliate, giving its own preferred par-for-par for N. Y. Steam 6% stock and share-for-share plus \$10 for the 7%.

But the New York Public Service Commission refused to let Edison go ahead with the exchange of stock, declaring it was more than N. Y. Steam was worth. That was the last straw. On Wednesday, N. Y. Steam's preferreds were pressed for sale on the New York Stock Exchange with no takers. Finally bids were found on the 7% stock at 70 while sellers asked 90; the first trade, two hours late, was at 73, off 30.

leave something to be desired. There has been a gain of some \$67,000,000 in commercial, industrial and agricultural loans of the member banks in 101

cities which report weekly. The flaw in that picture, however, is that \$53,000,000 of the gain was contributed by banks in New York City. In other words, borrowing is slight outside the financial metropolis.

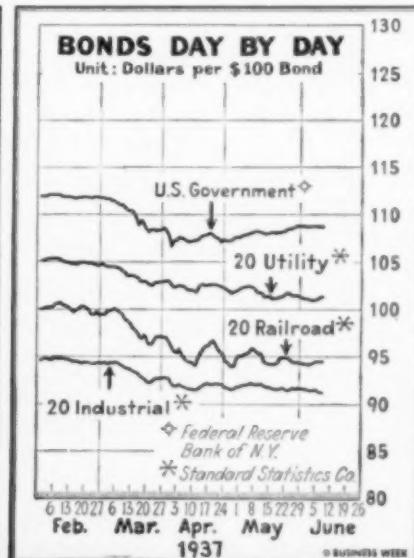
It is not at all improbable that some of these loans are to companies which have securities issues on the fire—are going into the new capital market for money just as soon as prices do a little better. If the issuers are really hard put for ready cash, nothing would be more logical than that they should go to the banks for short-term loans to tide them over. If this course were suggested to borrowers by their investment bankers (most of whom have their main offices in New York), the corporation might say:

"All right, you go ahead and arrange the bank loans for us. Borrow the money in New York if you think you can get us better terms." (New York banks, hungry for loans, could hardly ask a better risk than 30-60 day loans which will be paid out of the proceeds of new financing.)

Cash Flows to New York

It is also a fact that New York banks have a good bit of money to lend. Their excess cash was pulled down pretty low by the increase in reserve requirements May 1. A factor was that their deposits for out-of-town banks dipped from \$2,197,000,000 at the middle of April to \$1,867,000,000 on May 26. However, since that time interior banks have been sending money back to New York—such deposits have, in fact, risen to \$1,933,000,000.

The only markets to witness any excitement this week were those for commodities. Some sharp swings—predominantly downward—in cotton, wheat, and corn gave the financial community a few new worries. And,



while the jitters over gold have subsided to a certain extent, weakness has cropped out in metals such as copper and zinc in London to pretty much make up for it.

Snap Up U.S. Notes

Buyers oversubscribe Treasury's \$800,000,000 issue, at highly attractive prices.

SEC. HENRY MORGENTHAU, JR., this week offered some Treasury notes that he wanted to see snapped up—and they were. It was the first time the government has done any large-scale financing since the blush was off the bond market and the price, quite intentionally, was made "right."

There were two issues of notes, both for \$400,000,000. One, due in 27 months, bore interest at 1½%; the other, due in 4 years and 9 months, bore interest at 1¾%. Thus the shorter term issue was offered on a 1.375% yield basis while present Treasury notes of comparable maturity, on the day of offering, were returning 1.17% to 1.26%. The longer, on a 1.75% basis, yields substantially more than the existing 4 year and 6 month Treasury issue which is selling to return about 1.5%. The idea, clearly, was to convince buyers that the new issues were bargains. Success is witnessed by the six-fold oversubscription.

Interest Cost Up

A year ago the Treasury was able to sell 5-year notes at 1½% interest. In September last year the financing was done with 20-23 year bonds bearing interest at 2½%; and in December, 13-17 year bonds were sold on a 2½% coupon. Then followed the wave of government bond sales by the banks, and there ended the era of abnormally high prices for government securities.

Now the Treasury is paying ½ of 1% more to borrow on 4 year and 9 months notes than it paid on 5-year notes only a year ago. And the reason is a smaller demand for governments—plus the fact that Sec. Morgenthau didn't want government credit to get a black eye through failure of the banks to rush right up and grab this \$800,000,000 of notes with the old-time avidity.

Treasury's Cash Low

Quite aside from the fact that the Treasury is being obliged to pay more for money, the current financing has several interesting angles. One of them is that it had originally been expected that the government would come up to the June 15 financing date without having to borrow much, if any, new money. But Mar. 15 taxes fell pretty well under expectations and the June 15 payments will show a similar shortage.

Thus the Treasury's working balance in the last few days has been bobbing about between \$450,000,000 and \$500,000,000. A billion is much more to Sec. Morgenthau's liking. So, while he had maturities of about \$300,000,000 in bills to meet on or about June 15, he decided to borrow \$500,000,000 of new money as well.

To the \$500,000,000 of new money borrowed must be added June 15 tax receipts. These will boost the Treasury's working balance nicely, but the backlog will be needed if the current strain on the budget is any criterion.

The biggest strain right now is the influx of gold to these shores. When the Treasury started to sterilize the yellow metal late last year, it is a pretty safe bet that the authorities never an-



Harris & Ewing

MONEY RAISER—When Sec. Morgenthau sold \$800,000,000 of Treasury notes this week he made sure they were attractively priced. Result: oversubscribed six times.

ticipated that they would have to take so much of the stuff. Cargoes of gold have been boosting the "inactive" gold stock by leaps and bounds, until it is now well above the \$800,000,000 mark. The end is not in sight and this is one reason that the Treasury borrowed as much as \$500,000,000 of new money at this time.

The process of sterilization involves sale of federal securities to offset the money paid out in buying the gold. At the rate things are going, it won't be long until the inactive gold fund reaches a billion. Assuming that the Treasury has to pay interest equivalent to about ½% on discount bills to keep the metal sterile, the cost on that much gold would be about \$7,500,000 a year.

The fact remains that fidgety Wall Street seems much more worried about the gold problem than does official

Washington. The government doesn't look at a \$7,500,000 cost for borrowing a billion to sterilize gold as any staggering figure. It is used to enormous figures. It will probably see its debt fairly well above \$36,000,000,000 when the fiscal year ends June 30; the figure now is around \$35,300,000,000, without including the June 15 sale of \$800,000,000 of notes.

Miners Get Promise

The Washington reporters, who have not been satisfied with official assurances that no change is pending in the government gold policy, have been at least partially convinced by the assurances they pick up elsewhere. They have been told for some time by congressmen from the mining states that word had gone out that no change in policy was coming as far as domestically mined metal is concerned. That means that the Treasury buying price is not to be lowered.

However, there still remained the possibility that a higher handling charge or some similar device would be invoked to dam the flow of foreign gold. More recently, however, the reporters have heard that high authorities have been telling callers that nothing is doing along this line either. If all these things are true, the Treasury will continue to buy gold at \$35 an ounce, less handling charges. And, unless the credit policy is changed drastically, it will continue to sell government securities to sterilize the metal bought.

Merchant Marine—The desire to have a big, fine merchant marine stems from a variety of sources. One of the strongest is the desire of the boy, which survives in the man, to sail the seven seas. This, plus the chauvinism in all of us, tends to make us very proud of our flagships.

On the more practical side, the merchant fleet is held by many to be desirable in order to capture the fees of both domestic and foreign shippers in world trade—to ward off the "adverse" balance by gaining on this "invisible export" item. Still another argument is that, in time of war, a nation must have ships to transport men and munitions and to keep both the armies and the noncombatants fed and clad.

As a matter of practical fact, about the best thing most of the big merchant fleets have done in recent years is run up fancy deficits. The United States has had a fair-sized taste of that since the war. Yet it seems to be Washington's idea that the present merchant marine is outmoded, that new ships must replace those which are old and bedraggled. So President Roosevelt this week urged Congress (in a special message only a few days after he had told the White House reporters he didn't anticipate sending over any more

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Wide World

LEND'S AN EAR—Commissioner W. O. Douglas, guiding spirit in the SEC's study of reorganizations, listened as bankers urged modification of the Barkley bill which would govern the powers and duties of corporate trustees. Bankers insist trust departments and banks should not be forced to divorce. When Mr. Douglas sponsored a revision of the bill at hearings of the Senate subcommittee on banking, trust company men expressed complete accord with the changes.

special messages) to appropriate \$160,000,000 to pay about half the cost of building 95 fine new merchant ships. These would include 60 cargo ships, 24 combination passenger-cargo ships, 10 tankers, and one liner of the *Manhattan* type. Shipping companies which can't put up half can't have any of the government money.

This program embodies several paradoxes. The shipbuilders, on starvation rations for a long time, no doubt welcome the plan but it is hard to reconcile with the President's own economy drive. Moreover, it is a big boost to all those heavy industries whose undue activity the President deplored only two months ago.

Financing Sidelight—The most important effect of the log jam in new financing (*BW*—June 5 '37, p40) probably is the pinch for ready cash which a few corporations must be experiencing. The paucity of new bond issues, however, has other repercussions, and one of them is noted in the lower estimates

currently heard in connection with American Bank Note Co.'s earnings.

Bank Note engravings a large portion of the bonds sold to the public. Its business in the June quarter of 1936 (largest quarter of the year in point of bond flotations) came to 63¢ a share on the common. The second quarter this year, on the other hand, is not expected to be any better than the first when 26¢ a share was reported.

Uniform Regulation—The Brookings Institution, in its report on what should be done in reorganization of the federal government agencies (page 19), makes a couple of recommendations of more than a little interest to the financial community. Both aim at uniform regulation, one for banks and the other for the public utilities.

In the field of banking the recommendation is that the Comptroller of the Currency's power over banking be shifted to the Federal Deposit Insurance Corp. The comptroller's rule over national banks has been a political football for a long time. Abolition of the office and transfer of the banking prerogatives to the Federal Reserve was suggested years ago. Now, however, there are more banks in the FDIC than in the Federal Reserve, because state banks come under deposit guaranty in a vast majority of instances, and the

FDIC thus looks to be the logical agency for regulation.

The nub of the idea is that there should be but one agency examining and compiling statistics on banks which are under the wing of the federal government. As it stands now, the comptroller and the FDIC duplicate functions and, to a certain extent, conflict. However, as noted before, the incumbent comptroller, J. F. T. O'Connor, is a political force not to be shunted to one side without due deliberation.

In the case of the public utilities, the Brookings report finds that the powers and duties of the Securities and Exchange Commission and the Federal Power Commission are hopelessly intertwined. It is recommended that a joint board be created to handle matters which do not fall clearly into the field of one agency or the other. Uniform accounting, holding company integration, inter-company contracts, etc., are examples.

Capital Gains Tax—Agitation for the repeal or drastic modification of the present federal tax on capital gains is growing. Offhand, it would appear that the state of New York is one of the parties primarily interested.

In the first place, it was New York's Rep. Emanuel Celler who introduced a bill for repeal of the present capital gains and losses tax. To make it more

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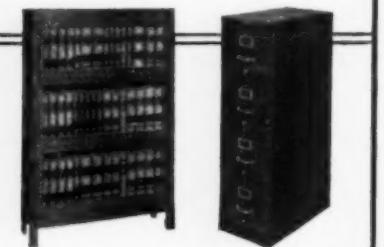


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emphatic, he has been seconded by State Comptroller Morris S. Tremaine. Mr. Tremaine's views carry weight in New York because he is widely credited with having done a better than average job with the state's finances through the depression years.

There is no argument about the fact that the Treasury's experience with the existing capital gains and losses tax as a revenue producer has been disappointing. Investors with large appreciation on securities or real estate are frozen up because they can't afford to take their profits; those with losses are glad to take them as an income offset.

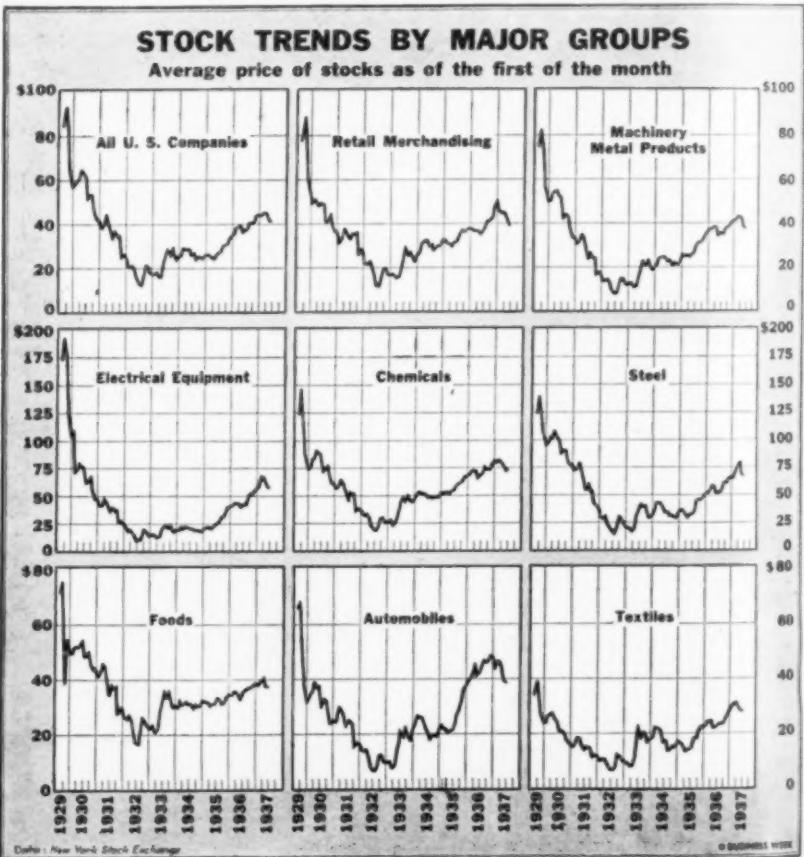
Rep. Celler contends that repeal of the tax and substitution of a less confiscatory measure will do a lot more to stop tax dodging than plugging the loopholes in the personal income tax laws along the lines suggested by the President. He goes so far as to say that such change in policy will add as much as a million dollars a day to federal revenues (\$365,000,000 a year wouldn't hurt the budget!). He cites results of the 1921 tax law, which imposed a flat rate of 12½% on capital gains and resulted in largely increased receipts when compared with the previous law which treated capital gains as income subject to surtax rates. He adds that the present tax has been yielding only about \$25,000,000 per annum and that, moreover, it retards recovery by freezing big investors.

Mr. Tremaine feels much the same way. He asserts that the tax has done much to stop legitimate trading. To this he traces much of the slowness of the stock market and the fact that Wall Street "does not make its fair share of profits." He adds:

"This past year the state of New York might have received, if it were not for this tax, \$50,000,000 to \$60,000,000 from Wall Street in stock transfer taxes as against \$24,000,000 at the old rate and only \$35,000,000 at the current high rate of this tax."

The Remedy—There isn't really much argument, even among the soak-the-rich advocates, about what should be done. Profits on an investment held for more than, say, two years, instead of being classified as income and subjected to the personal income taxes, should be levied upon at a flat rate. And if that rate is more than 10%-15%, big investors will continue to refuse to take their paper profits.

Under the present law, the person taking a profit must include as income 100% of the appreciation if the capital asset has been held not more than one year and this is graduated down to 50% if it has been held more than 10 years. If the investor already has a large income, this capital gains "income" bumps into surtaxes which are as much as 75% in the high brackets.



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Editorially Speaking—

A LOS ANGELES clergyman preached 21 hours continuously and now claims a world's record. We have an envied friend who boasts that his wife has set a world's record of 21 years' continuous non-preaching.

BITTER complaint from a girl we know who's going to a teachers' school to become a kindergarten teacher: "I've been making a doll for school this last month, and it's driving me batty. I've sewed it all by hand and stuffed it with feathers, one feather at a time. Now I've got it stuffed and sewed up and it's too skinny, so I have to refill it. Now to paint on a face, sew on hair, and make clothes for it. I've spent about twenty dollars' worth of labor on the damn thing and expect to double the amount of time before I've finished with it."

ABOUT that matter of the chocolate beer cake, explained recently on this page, we have a complaint from Vernon C. Hoyt, of the Builders' Association of Kansas City, Mo. The complaint is really a confession of incompetence. Despite our recipe, Mr. Hoyt can't make a chocolate beer cake; but neither can he make any other kind of cake. He's no cook. When we printed our recipe, we never dreamed that anyone who can't cook would try to use it. We sort of take it for granted that everybody who reads this page can cook. We like to feel we're among friends. And we ask you, how can anybody who's a pretty good cook (meaning us) feel genuine friendship for the unmanly sort of fellow who can't broil a chop or assemble a bubble-and-squeak?

BUT if Mr. Hoyt wants to try again, here's his chance. He'd better take his clothes off, though, to avoid messiness. The recipe varies a little with the season; the one we gave before was for early spring, and we're going to repeat it without change.

Take half a cup of butter and $1\frac{1}{2}$ cups of sugar. Add the sugar gradually to the butter, stirring until the mixture is light and fluffy. And by the way, you'd better mix these things in the bathtub, if you're a tyro. Add two squares of melted bitter chocolate; beat until smooth. Take two eggs, separate the yolks from the whites, beat the whites, and add the yolks, one at a time, to the batter, beating until well blended. Add a teaspoon of vanilla, one drop at a time. Take $\frac{1}{2}$ cup of lager (a keg, incidentally, to answer one of Mr. Hoyt's questions, contains 31 gal.). Also take half a teaspoon of salt, add it to two cups of pastry flour, sift the flour and the salt two or three times, and then alternately

add this mixture and the $\frac{1}{2}$ cup of lager to the batter. After each addition, beat until smooth. Add the beaten whites of the eggs, folding them in stiffly (which means stirring them slowly).

Now go into the kitchen and tell your wife to get ready to bake the cake next morning, in case you're incapacitated. Then go back to the bathroom, add half a keg of lager (minus the $\frac{1}{2}$ cup you've already used), and $2\frac{1}{2}$ kegs of bock, and jump into the tub.

(To be continued maybe)

It's estimated that 300,000 people have been killed in the Spanish slaughter, most of them, of course, being civilians who were hit by shells or bombs or were otherwise "cleaned up," like the 3,000 who were herded into the bullring at Badajoz and mowed down by machine-guns. But 300,000 seems to be merely a starter, in view of Franco's public statement that he will kill every second Spaniard if necessary to win. Some fun ahead, eh, kid?

AT Hunter College (girls only) the graduating class recently picked Mrs. Simpson as the greatest woman in the world. The higher education.

IN Erie, Pa., there's a seafood restaurant that goes by the name of its owner—Capt. Billy Barnes' Son, Bill. That's the way he signs himself. When we were in Erie recently we noticed one of his ads. It began with a notation of longitude and latitude, used up 11 paragraphs for friendly comment on all the other business places in his block, and finally got down to a few words on his own restaurant. And there was a postscript: "Don't come here on Monday's. (We are closed that day to give our crew shore leave.)"

The restaurant is small, and its front is the bow of a ship stuck out over the sidewalk. When you go inside you hang your hat on a belaying pin. The clock strikes, and if it's eight bells you know the time is noon, or maybe 4 p.m. There are differences of opinion as to the quality of Capt. Billy Barnes' Son Bill's fish, but the place is undeniably an experience.

ALL the girls in Yorkshire were too modest to play Lady Godiva in the Leeds community carnival. At least that's what the carnival committee said; we doubt whether they really asked all the girls. Anyway, a boy was drafted for the job of putting on a silly wig and riding naked through the streets. The committee says he agreed "reluctantly," and we believe the committee this time. Any normal boy would rather stand on the sidewalk and watch a girl r. n. t. s.

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JUNE 12, 1937

What Can Business Expect?

Amidst incessant labor turmoil, business waits for an answer to a simple question: What can we reasonably expect in our labor relations?

After the passage of the Wagner Labor Relations Act there were many strikes to force union recognition, but on the whole the strike situation did not become acute till the end of last year. Earlier in the year Akron had been troubled by rubber strikes, and in the fall there was a combination of shipping strikes, in which the Pacific Coast was hit hardest. But it was not till the turn of the year, when the strike wave advanced from automobile parts plants to General Motors, that the country perceived the gravity of the situation.

In all these strikes there is but one issue—unionizing American industry. The unions insist on doing away with the open shop and the right of a man to work where he pleases and of an employer to hire whom he pleases. Not wages, hours, or working conditions are the real matters in dispute. When mentioned at all they are obviously subordinate. The only issue that counts is unionization.

Congress granted everything the unions demanded by enacting the Wagner law, and the Supreme Court recently sustained it. Yet labor and the government refuse to operate under it. The unions call great strikes without appealing for the application of the Wagner law, and no federal authority tries to force them to do so.

Under the Wagner law, workmen have the right to decide whom they want to represent them in negotiations with their employers. The law presupposes that a group of employees will voluntarily come together and choose their representatives, and that thereupon negotiations will follow. Instead, the procedure of the union leaders is to enforce unionization—to force the employee to become a union member and to accept the union as his representative. And while this coercive campaign is going on, the union at the same time applies force to the employer by calling a strike. Employees who have not joined the union before the strike are threatened and coerced into membership during the strike, which in itself is a part of the membership drive. The business of the employer is destroyed and his property confiscated before any serious demands are made at all, except

the demand that he deal with the union and nobody else.

Business wants to know how far this sort of thing is going, how long the seizure of plants and properties, the interruption of commerce, the interference with railroad operation, the violent assaults, the private censorship of the United States mails, and all the rest of these lawless procedures will be allowed to continue. The unions, instead of taking legal action under their own Wagner Act, are illegally attempting to force unionization, while the Administration sits inactive. The whole theory of the Wagner Act is that of peaceful negotiation; but what has resulted is not negotiation at all—it is a holdup. How long will it be countenanced and encouraged by public officials?

Health Insurance And a Huge Fund

When the Social Security Act was sustained by the Supreme Court, we remarked on this page that important amendments would be demanded in the next few years, and that one of these would provide for health insurance. Now a significant action has been taken by the Medical Society of the State of New York, the largest unit in the American Medical Association. The society still objects to compulsory health insurance, but it endorses a comprehensive program of public medicine, involving the use of public funds for prevention of disease, medical education, medical research, and the treatment of indigents. When the medical profession gives way this far, it is reasonable to expect further retreats. In a few years it may be yielding to health insurance.

At any rate, health insurance is on the way. How will it be supported? By a further Social Security tax on employers? By further augmentations of a reserve fund whose ultimate total

has been placed at 47 billion dollars? All calculations in such figures are fantastic. Nobody knows what would result from a 47-billion-dollar reserve fund. Nobody can predict what the repercussions would be. It is time to scrap the present financial basis of the Social Security plan, which involves such colossal figures, and to reestablish the fund on a sensible pay-as-you-go basis, cutting down the burden on employers, and eliminating the risk of experimenting with incalculable funds.

Slapping the Utilities With Seven Yardsticks

President Roosevelt proposes to supply TVA with half a dozen partners. He asks Congress to create six new regional planning agencies, on the lines of the Tennessee Valley Authority. All seven are to concern themselves with questions of conservation, on the broadest scale—floods, drought, dust storms, waterpower.

Whatever this plan may mean in the distant future, it seems to mean one thing above all in the next few years—and that is government competition with the power industry. Immediately after the President's message was read, two bills were introduced by Sen. Norris and Chairman Mansfield of the House Rivers and Harbors Committee. They differ in some ways—Sen. Norris' bill being tougher, as might be expected. The Mansfield bill is said to have Presidential backing. But both bills provide for regional planning authorities, and both authorize the development of public waterpower and its sale at low rates to non-profit agencies.

So this is the President's new power program—seven TVA's! The TVA power program was originally announced as an experiment. It would provide a yardstick to measure the rightness of private power rates. If it is a yardstick, why not try it, letting it prove its yardstick value? But before the TVA yardstick has a chance to show whether the private rates are reasonable or not, six more TVA's are to be set up—all of them to develop power and sell it at low, subsidized rates to non-profit agencies. Seven TVA's in all, to compete with the power industry, weaken its credit, and injure its investors!

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York. Tel. MEDallion 3-0700. Price 20¢ Subscription: \$5.00 a year, \$10 for three years, U.S.A., possessions, and Canada. Other foreign, \$7.50. Cable Code, McGrawhill

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